

BUSINESS WEEK

FEB. 2, 1946



John L. Lewis: To industry—and to labor—his homecoming signals a turn in the course of unionism

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The 6 Billion Dollar Question

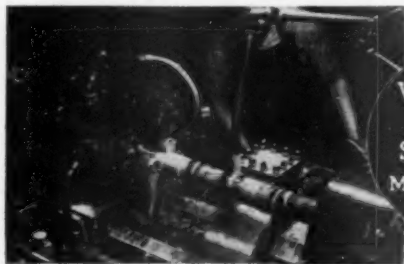
IF communism and socialism are so wonderful (as many people would have you believe) then why do the largest and most experienced communistic country in the world (Russia) and the largest socialistic country in the world (England) have to come to this capitalistic country to borrow money?

America is the only major country where people have been able to produce enough for their own wants and have a surplus. The countries

with the "more abundant life" want and seek to need that surplus.

Doesn't it look as though this capitalism something so good we had better keep it? If we think so, we had better act like it, for there are many things going on here that will (and are intended to) kill capitalism.

And there won't be *any* country we can borrow from.



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WACKENING PRICE LINE

The Administration will have to gamble that production will outrun price inflation. Otherwise the present stalemate will continue, and everybody's got all of that on their stomach.

One by one, officials who have stood for holding the price line are rationing the situation preparatory to a retreat. They can find satisfaction in the line held last fall when inflation, in the main, wasn't ready to provide full tilt. They can look ahead with some warrant in old-fashioned economics for believing that the price increases which industry demands to keep production will meet competitive pressure as volume mounts in coming months.

More price latitude is sure, but don't look for sudden big boosts in ceilings along the line. Price Chief Chester Conover's spirited resistance figures just as importantly in Administration strategy as does the demand upon the Office of Price Administration by John G. Small, civilian production chief, to give business a better break.

One or the other may be ignored in the fumbling progress of White House price negotiations, but so long as the OPA and CPA operate as counteracting forces, a price boost in the products of one industry—steel, for instance—won't lead to precipitate boosts in others. The price line is still on a winch. It will be paid out, but the Administration has no intention of throwing it overboard.

How Soon? And How Much?

Never will there be a time when everybody would agree to complete removal of all price control, but, nevertheless, it will die, although gradually, and probably flicker out entirely on the final date of its next extension. That may be Dec. 31 this year or June 30 next year.

Truman asked this week for a full year's extension. Congress may cut him back, but, regardless of that, two questions are of foremost importance: How long will Congress act? How much will price control be whittled down in the process?

Although the law doesn't run out till June 30, Truman wants speedy action, so that industry may know soon what the pitch is, thus removing one obstacle that has been retarding production and distribution. Congress won't oblige. It will be sometime in April at the earliest

before the legislation goes through. Dilatory hearings are in prospect, particularly in the Senate.

Ready to Exact Concessions

Far more independent than the House group, Senate committeemen will use the hearings to wring immediate control-relaxing concessions from the OPA as the price of extension. Much significance may attach to Democratic Majority Leader Alben Barkley's statement that he believes ceilings on clothing can be eliminated by June 30.

Many Republicans will combine with Democrats in attempts to shrink the scope of the law, limit price ceilings to specific categories. An indication of the long fight that OPA has ahead of it is Sen. Robert Taft's suggestion that price control after June 30 be limited to rents, sugar, and building materials.

PRICE CAMPAIGN SHELVED

Retail druggists, the aggressive sponsors of "fair trade," have suspended their drive on Congress for enactment of a resale price maintenance law for the District of Columbia similar to those on the books in 45 states.

Although the Federal Trade Commission, in a recent report, did not go to the extent of recommending repeal by Congress of the Miller-Tydings Act, which validates interstate commerce in price-maintained products (BW-Dec. 29'45,p81), the report roused such opposition to the District of Columbia bill that the druggists have voluntarily asked for "postponement" of further consideration.

DISARMAMENT MUST WAIT

Administration officials are not responding to Sen. Millard Tydings' stirring appeal this week for a world disarmament conference to be called by President Truman. There are three reasons:

Effective disarmament can't be achieved until the atomic bomb is brought under worldwide control.

The peace treaties have to be written before decisions on armament reduction can be taken intelligently.

The United States would not call such a conference outside the United Nations, as Tydings suggested, but intends to use UNO as the central instrument of world cooperation and security.

Tydings contended that UNO can't

properly summon a disarmament conference, since nowhere in its charter is there any "stated objective for eventual world disarmament." But UNO authorities point out that "establishment of a system for the regulation of armaments" and "possible disarmament" is stipulated in Articles 26 and 47.

The State Dept. feels that disarmament will be the byproduct of an effective and trusted UNO, but can't come ahead of it.

PROTECTING THE VETERAN

Announcement by the Veterans Administration of tighter supervision of on-the-job training programs under the G. I. Bill of Rights is a warning to both employers and vets that chiseling won't be tolerated. The VA long has maintained spot supervision of job training for disabled vets, but hasn't been able to recruit staff to keep abreast of activities under the G. I. bill. The result has been a number of complaints, notably one from labor in Colorado that vet machinist apprentices were, in fact, sweeping floors.

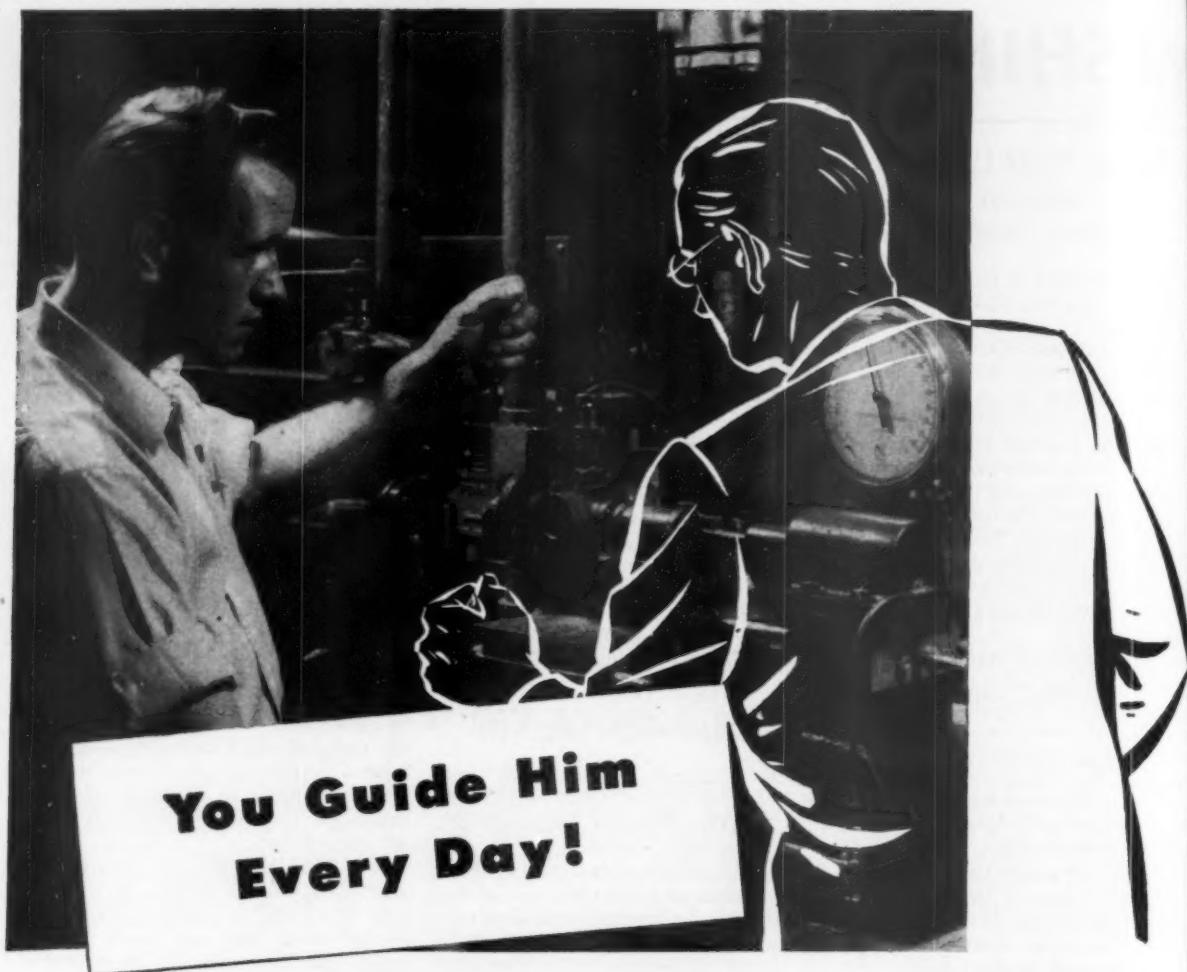
The VA isn't really as upset by current abuses in job training as it makes out. It's trying to forestall an epidemic if and when jobs get scarce. Abuses might then be carried to the extent of collusion between employers and veterans offering to undercut prevailing wage rates by as much as \$90 a month, the amount of the government subsistence allowance to trainees.

AWAY FROM THE VALLEYS

The President has beaten a retreat from his support of more valley authorities like the Tennessee Valley Authority. Take note that in his message to Congress last week he advocated valley development but refrained from recommending who should do the job. Secretary of the Interior Harold L. Ickes may be responsible, or the man in the White House may have concluded that there's not much chance that Congress will set up additional authorities anyhow.

The Chief Executive has not lost any affection for public power. While the budget was lopped almost in half, all agencies directly concerned with federal power got increases, some phenomenal.

Truman explicitly urged construction of government-owned steam plants and



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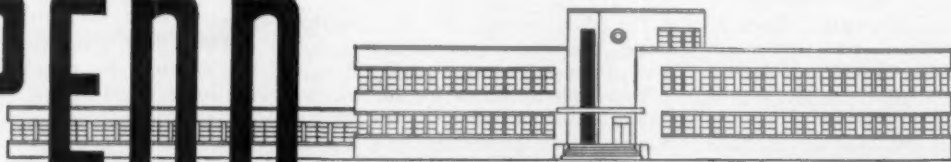
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MAN VS. SNYDER

animosity between Rep. Wright Patman, chairman of the House Small Business Committee, and Reconversion Rep. John W. Snyder has flared this time over the way functions of the Smaller War Plants Corp. were divided (BW—Jan. 5'46,p5). Though the Commerce Dept. was responsible for priorities and technical advice, SWPC field engineers faced with the Reconstruction Finance Corp., where they were shunted into clerical jobs on surplus disposal. Left in the lurch, the Commerce Dept. will have to scare up a new staff unless Snyder reverses him-

self let the cat out of the bag when he observed that, even if the pilots win their point, the airlines' committee can dictate terms to individual lines from off-stage.

FAREWELL AND HAIL

Isador Lubin, whose statistics F.D.R. could "always understand," has retired from government service, with appropriate recognition from the American Statistical Assn., which has elected the former commissioner of labor statistics as its president.

During the war years, Lubin was on the Munitions Assignment Board, which controlled the distribution of the

munitions output of the U. S., Canada, and Great Britain.

A. F. Hinrichs was still signing his mail this week as "acting commissioner" of labor statistics, but it wasn't certain that he would get the title in his own right.

NOBODY'S BUT NEBRASKA'S

The "horrible example" which spurred Rep. Lyle Boren's House subcommittee investigation of the Securities & Exchange Commission's administration of the Public Utility Holding Company Act has been eliminated as a subject of federal inquiry.

The Federal Power Commission, by

SUES SAN FRANCISCO

haunted by legal rebuffs in its effort to prevent increased streetcar fares in San Francisco and Indianapolis (BW—Jan. 5'46,p52), the OPA has entered suit against the San Francisco Public Utility Commission from raising transit fares from 7¢ to 10¢.

The commission insisted that added fare was needed to modernize San Francisco's surface transportation. The suit is based on the contention that the city did not give the 30-day notice of the fare rise required by the Price Stabilization Act.

PILOTS FIGHT AIR GROUP

With airline pilots threatening to strike for a 60% pay boost when flying military planes now being readied for service, and the airlines offering no concession, the Civil Aeronautics Board is in a sticky spot. Civil air law assigns mediation over airway labor disputes to the National (Railway) Mediation Board, but CAB is compelled by law to mediate any agreements between airline pilots and airlines. And 13 airlines have got to present a united bargaining front to the Air Line Pilots Assn.

The pilots want to bargain with the airlines' managements individually, and not that only the mediation board can do a shift. CAB is on the fence about its legal responsibility in the

possibly a Mediation Board official

Wyatt Asks Ceilings on Building Lots

Housing Expediter Wilson W. Wyatt made his debut on Capitol Hill this week when he testified before the House Banking & Currency Committee.

• **Urges Passage**—It was supposed to be a hearing on the Patman housing bill (BW—Jan. 12'46,p17), but by the time the 39-year-old ex-mayor of Louisville had completed a 90-minute statement, committee members not only had learned his position on the legislation but also had obtained a good idea of what Wyatt has been doing in the four weeks since he left the sun and sand of a Florida vacation for the rough and tumble of a top Administration post.

On the legislation, Wyatt urged immediate passage (1) to assure continuance of the government's priorities powers to meet the housing emergency, regardless of what Congress does about the Second War Powers Act which expires next June, and which forms the legal basis for priorities at present; and (2) to extend price controls to old as well as new homes.

• **Busy Month**—He also asked for something not now in the bill—ceilings on home-building lots. This power would be used selectively, much as OPA handles rent control.

What Wyatt has been doing most of since coming to Washington is losing sleep. It's been a ring-around of conferences with labor, management, builders, veterans' groups, government agencies, and local officials,

along with the job of whipping his program into shape.

• **His Program**—Although Wyatt said he wasn't quite ready to release details of his program, these are its chief features:

Prefabricated homes, trailers, reconversions of war-built structures such as barracks; a high set-aside of materials for rental units; heavy dependence on community action; more selective price increases to stimulate production of building materials; and subsidies to lower the general level of home-building costs.

The housing expediter makes no bones about the inadequacy of whatever the government can do in a short time. He says there will be even more doubling up by the end of the year, and that controls will be needed through 1947 at least.

• **Obstacles Ahead**—Wyatt is in for some hot and heavy going with his departure from conventional building construction, but he is now armed to the teeth with power. Last week, President Truman made him administrator of the National Housing Agency, replacing John B. Blandford, Jr., and by executive order transferred to him the housing powers of Reconversion Director John W. Snyder (BW—Jan. 5'46,p7).

All Wyatt needs now is the Patman legislation. Committee members were definitely sympathetic as he laid his case before them, but the bill faces a drag-out fight if it reaches the floor.

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spurning jurisdiction over a security issue proposed by the Nebraska Power Co., has removed the last obstacle the federal government can throw against sale of the company into public ownership (BW—Jan. 6 '45, p. 58). The deal had been attacked by Boren as "Swindle, Inc.," because of the price paid for the power company's stock by the Omaha Electric Committee, Inc., a nonprofit public ownership group (BW—Jul. 28 '45, p. 76).

The SEC previously had ducked jurisdiction under its rule exempting transactions which tend to effectuate the death sentence clause of the holding company act.

CAPITAL GAINS (AND LOSSES)

On Capitol Hill, bets are being made that Reconversion Director John W. Snyder will be out of office by April.

Petrillo seems to be taking good care of his boys. The average weekly wage of staff musicians (members of the American Federation of Musicians) was \$137.58 last year, according to a report by the Federal Communications Commission.

Rep. Clare Booth Luce, Connecticut, is out of politics, despite speculation that she will run for the Senate. Her secretary, Alfred P. Morano, wants her seat in the House, but probably won't get it.

House insistence on returning the U. S. Employment Service offices to the states in June will fall before another veto.

Philip M. Klutznick, commissioner of the Federal Public Housing Authority, is following John B. Blandford, Jr., former National Housing Administrator, out of the government housing picture in President Truman's frantic attempts to meet the emergency.

In the hope of taking pressure out of the oil industry's drive for increased crude prices while the price control act is up for renewal, Stabilization Administrator John C. Collet this week reluctantly extended subsidy premium payments to stripper wells till June 30.

—Business Week's
Washington Bureau

THE COVER

This week John L. Lewis and his United Mine Workers went back into the American Federation of Labor—and storm signals went up over the labor front (page 86). Management welcomed the Lewis philosophy of high labor productivity under free enterprise, reviewed some rueful memories of John L.'s own enterprising.

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PIONEERS AND
LEADERS IN

Industrial DUST CONTROL

THE OUTLOOK

BUSINESS WEEK

JANUARY 2, 1946



The wage fight seems to be shaking down to a basis of increases which generally run in the neighborhood of 15% to 16%.

Settlements have been made largely on pay and working conditions. The unions don't appear to have shorn management of any policy-making powers, as many businessmen had feared might happen.

As things clear up, next question is how to make ends meet. The cost-price squeeze has been further tightened.

And there is no certainty that the unions won't be around again in a few months for raises on either a cost-of-living or ability-to-pay basis.

•
Corporations haven't yet enjoyed the full benefit that the end of the war was supposed to bring in labor costs.

Overtime hasn't entirely disappeared. The labor market still is too tight to allow downgrading to run its full and logical course.

These changes will come, though, and soon. Before long, wage costs will be down about 5% through elimination of overtime and almost as much by the drift of workers to their natural skill-levels and pay-levels.

Thus a 15% rise in hourly pay won't cost, on the average, much more than 5% to 6%. If labor makes up 60% of total manufacturing costs, that means prices need rise only 3% to 4% to compensate.

•
OPA will fight its typical rearguard action on industrial prices.

The price agency will seek to have some of the needed 3% or 4% from higher wages absorbed between manufacturing and retail levels.

Also, in granting price boosts based on higher wages, it will seek to forget the squeezes that existed before the pay bill went up.

In other words, if the steel industry is entitled to \$2.50 or \$3 a ton to ease the present squeeze and \$2 more to meet a higher wage bill, OPA will be reluctant to grant the full relief. The agency is likely to squeeze the price rise down until there is danger of red ink.

Businessmen will agree with the Civilian Production Administration chief, John D. Small, that prices are being held too inflexibly.

In his report this week on December progress, Small argues that inflation is being fostered by price controls which hamper production, that we most need goods to damp down civilian demand.

Some industrialists won't agree with Small that price controls must be retained. Many favor sweeping out the whole thing.

If the Administration should agree to this, which is highly unlikely, the step should be sudden. There shouldn't be argument and delays which would cause manufacturers to hold goods off the market for higher prices.

•
The loss of steel due to the strike is estimated by Iron Age at nearly 1,500,000 ingot tons a week (and wage losses \$15 million).

This loss can't be made up under present circumstances.

Mills apparently found it impossible to push output quite up to 1,500,000 tons a week before the shutdown; at the prestrike rate, they fell behind incoming orders.

The effect of this and other strikes will be just so much more pressure on suppliers for needed materials and parts. The National Assn. of Pur-

THE OUTLOOK (Continued)

BUSINESS WEEK

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chasing Agents currently reports "demand for materials of all kinds is practically insatiable" and adds that most plants report inventories lower than a month ago and declining.

How much inventory manufacturers have managed to get their hands on cannot be accurately judged at the moment.

Durable goods industries have been settling war contracts, and that takes a lot of stuff out of stockrooms. At the same time, they have been trying to accumulate materials needed for civilian production.

In November, according to the inventory value figures compiled by the Dept. of Commerce's Industry Survey, over-all stocks were just about steady (except in one line). That probably means considerable accumulation of peacetime stock to balance reduced war inventory.

The exception was transportation equipment (other than automobiles). These companies' stocks dropped more than 20% from October to November. But some of that drop can be traced to a sharp rise in shipments.

Manufacturers of nondurable goods have been adding substantially to inventories, at least in dollar value, ever since the end of the war. This is true of just about all major types of activity from food to chemicals.

The agreement of the United States to buy crude rubber from the British, French, and Dutch at 20¼¢ a pound spreads an umbrella over our war-built synthetic industry. (This 20¼¢ price, plus shipping costs, just about matches the domestic ceiling of 22½¢ on crude.)

Synthetic sells for 18½¢ against 22½¢ for the natural product. The 4¢ spread allows for higher fabricating cost with synthetic.

This spread leaves plenty of margin over production costs for any of the even moderately efficient plants.

But protection of home industry isn't guaranteed for long under the new agreement; that with the British expires Mar. 30, those with the French and Dutch on June 30. And if these nations want to regain their American market, they will have to cut prices later on.

Nobody much doubts that synthetic can be made for 15¢, maybe 10¢.

Traders in commodity futures have been hoping, ever since the war, that many of the closed exchanges might soon reopen.

But block buying by government—Britain's deal for Rhodesian copper and our own in sugar, tin, and rubber are typical—shut off all the myriad trades that make free markets. Price ceilings also are a bar.

Grain and cotton markets are among the few with any leeway.

Don't lose sleep over renewed rumors that the government might force banks to put a big slice of their deposits in nontransferrable U. S. government securities bearing little or no interest.

Advocates of this are the theorists, not the practical men who run the Federal Reserve and the Treasury. These latter know such a plan would look very like money tinkering and would frighten the public.

This club probably is being dusted off now to frighten bankers who are howling for just a little higher return on their government bonds.

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FIGURES OF THE WEEK

	\$ Latest Week	Preceding Week	Month Ago	Year Ago	1941 Average
THE INDEX (see chart below)	*150.5	†169.9	173.1	229.4	162.2
PRODUCTION					
Steel ingot operations (% of capacity).....	5.7	4.9	80.6	88.7	97.3
Production of automobiles and trucks.....	29,410	28,465	10,690	20,765	98,236
Engineering const. awards (Eng. News-Rec. 4-week daily av. in thousands)....	\$12,708	\$12,090	\$10,048	\$3,671	\$19,433
Electric power output (million kilowatt-hours).....	*4,040	†4,145	3,759	4,577	3,130
Crude oil (daily average, 1,000 bbls.).....	4,626	4,606	4,474	4,727	3,842
Bituminous coal (daily average, 1,000 tons).....	2,133	†1,933	1,830	1,993	1,685
TRADE					
Miscellaneous and L.C.L. carloadings (daily average, 1,000 cars).....	74	79	78	80	86
All other carloadings (daily average, 1,000 cars).....	51	50	51	50	52
Money in circulation (Wednesday series, millions).....	\$27,977	\$28,119	\$28,649	\$25,175	\$9,613
Department store sales (change from same week of preceding year).....	+19%	+13%	+14%	+11%	+17%
Business failures (Dun & Bradstreet, number).....	24	20	7	16	228
PRICES (Average for the week)					
Spot commodity index (Moody's, Dec. 31, 1931=100).....	266.1	265.2	264.8	252.5	198.1
Industrial raw materials (U. S. Bureau of Labor Statistics, Aug., 1939=100)....	170.0	169.8	169.7	166.2	138.5
Domestic farm products (U. S. Bureau of Labor Statistics, Aug., 1939=100)....	234.3	234.5	234.0	224.3	146.6
Finished steel composite (Steel, ton).....	\$58.27	\$58.27	\$58.27	\$57.55	\$56.73
Scrap steel composite (Iron Age, ton).....	\$19.17	\$19.17	\$19.17	\$19.17	\$19.48
Copper (electrolytic, Connecticut Valley, lb.).....	12.000¢	12.000¢	12.000¢	12.000¢	12.022¢
Wheat (Kansas City, bu.).....	\$1.69	\$1.69	\$1.70	\$1.65	\$0.99
Sugar (raw, delivered New York, lb.).....	3.75¢	3.75¢	3.75¢	3.75¢	3.38¢
Cotton (middling, ten designated markets, lb.).....	25.15¢	24.71¢	24.56¢	21.34¢	13.94¢
Wool tops (New York, lb.).....	\$1.330	\$1.330	\$1.330	\$1.340	\$1.281
Rubber (ribbed smoked sheets, New York, lb.).....	22.50¢	22.50¢	22.50¢	22.50¢	22.16¢
FINANCE					
90 stocks, price index (Standard & Poor's Corp.).....	145.8	143.5	137.5	106.9	78.0
Medium grade corporate bond yield (30 Baa issues, Moody's).....	2.99%	3.01%	3.06%	3.44%	4.33%
High grade corporate bond yield (30 Aaa issues, Moody's).....	2.50%	2.53%	2.59%	2.68%	2.77%
Call loans renewal rate, N. Y. Stock Exchange (daily average).....	1.00%	1.00%	1.00%	1.00%	1.00%
Prime commercial paper, 4-to-6 months, N. Y. City (prevailing rate).....	3%	3%	3%	3%	3-3½%
BANKING (Millions of dollars)					
Demand deposits adjusted, reporting member banks.....	38,037	37,728	37,556	35,987	23,876
Total loans and investments, reporting member banks.....	68,112	68,220	67,733	59,620	28,191
Commercial and agricultural loans, reporting member banks.....	7,275	7,296	7,268	6,387	6,296
Securities loans, reporting member banks.....	5,049	5,075	5,709	3,389	940
U. S. gov't and gov't guaranteed obligations held, reporting member banks....	49,531	49,629	48,541	44,554	14,085
Other securities held, reporting member banks.....	3,360	3,367	3,363	2,879	3,710
Excess reserves, all member banks (Wednesday series).....	1,340	1,600	1,352	1,049	5,290
Total federal reserve credit outstanding (Wednesday series).....	23,922	24,072	25,172	19,220	2,265

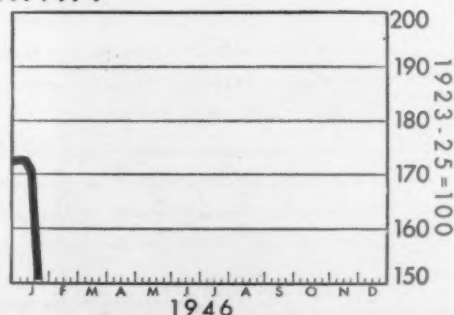
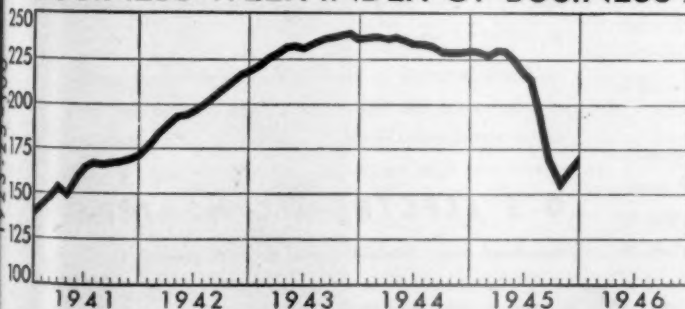
Preliminary, week ended January 26th.

†Revised.

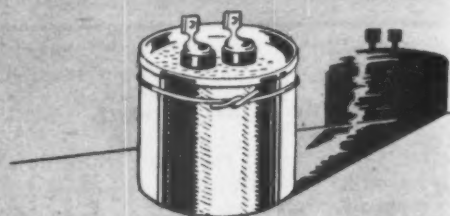
‡Ceiling fixed by government.

§Date for "Latest Week" on each series on request.

BUSINESS WEEK INDEX OF BUSINESS ACTIVITY



Solders 900 seams per hour. One girl with one G-E electronic heater turns out twice as many capacitor cases as she could under this plant's previous method. (Massachusetts)



Hardens clutch jaws in 17 seconds. A G-E electronic heater localizes the heat, without hardening the rest of the clutch plate. No distortion. No scale. (Kansas)

Brazes 1000 steel parts per hour. Heat is confined to the brazing area; strong, uniform joints result. Exact duplication is obtained, day after day. (Michigan)



Anneals screw tips at half the cost. Without affecting the threads, a single G-E heater anneals 100,000 thumbscrews a day—and with absolutely uniform results. (Illinois)

Turn on the **ELECTRONIC HEAT!**

Does your plant have a heating job that you'd like to do better? A repetitive soldering job, for example, that even skilled workers have to fuss over? Or a surface or spot hardening job where you can't localize the heat the way you'd like to? The chances are that electronic heat can do it in a small fraction of the time required by your present method—do it with almost unbelievable accuracy.

The above case histories are typical of the speed-up obtained in hundreds of shops with G-E electronic heaters. These versatile heaters enable you to braze, harden, anneal, or solder with a degree of

control that will astonish you. They facilitate quick production shifts, because of the variety of shapes and sizes a single heater can handle. And—operators can be trained to get consistent results in a matter of hours.

If you expect to find ceilings over your selling prices, now is the time to start tearing out the floor under production costs. There are a lot of electrical ways we can help you. One of them is with **G-E ELECTRONIC HEATERS.**

Apparatus Dept., General Electric Co., Schenectady 5, N. Y.

GENERAL  ELECTRIC

Prices Dwarf Wages as Issue

Ford, Chrysler, and RCA settlements establish zone in which pay question can be compromised. Industry shifts emphasis obtaining a return on output that will enable it to foot the bill.

Although the strike tide had not appreciably receded as January ended, Washington saw evidence that the first postwar wage crisis was over.

The return to work of packing house workers when the government took over the plants had been in part offset by an extension of the farm equipment walk-out and the outbreak of a number of smaller strikes. Nearly a million and a half workers still remained away from their jobs. While ostensibly engaged in wage disputes, they were out because a price crisis had developed which was as effective as a wage crisis in stalling the nation's productive machinery.

Big Question Answered—It was certainly possible to contend that the argu-

ment over wage rates was ended. The answer had been given to the big question—at what level would the broad union demand for a 30% hourly wage increase be compromised? It was to be found in agreements the C.I.O. made this week with Ford, Chrysler, and RCA, calling for pay boosts of 18¢, 18½¢, and 17½¢ per hour respectively.

It had been foreshadowed by the settlement, for an 18% wage increase, of the strike which had brought on government seizure of the oil industry (page 89). It had been nailed down conclusively by President Truman's statement to the press that the steel strikers should only go back to work if they received the 18½¢-an-hour increase

he had recommended they be given.

• **Bargaining Zone**—Between the 15¢-an-hour wage increase at which federal mediators had tried to win a settlement of the meat packing strike and the oil industry's approximately 22½¢ boost, most important employers and industries would find the point at which they could make a wage bargain. Fixing that point within such narrow limits, with the industry's existing wage pattern taken into account, could hardly be cause for a continuing strike crisis.

There was some important bargaining still to be done, but its scope and content were different from what had to be done a month ago. The real negotiations now involved not industry and labor, but industry and government, and the real issue was no longer wages but prices.

• **Cases in Point**—If this thesis required proof, it was to be found in the following facts: Charles E. Wilson of General Electric was not available for conferences with labor mediators in New York this week. He was in Washington talk-



Signatures of union and management brought a happy ending last Saturday to contract negotiations between U.A.W. spokesmen and representatives of Ford (above, left) and Chrysler (above, right). But the day before—testifying before the Senate Labor Committee in Washington—Charles E. Wilson (left), president of General Motors, was adamant in his refusal of wage demands of United Auto Workers' Walter Reuther (right), spark plug of the G. M. strike. The demands—technically—went back to the original 30% after G. M.'s refusal of the 17.4% increase recommended by the federal fact-finders.



ing with "high authorities" about prices for electrical products while the huge industry he represented produced not a single vacuum cleaner or waffle iron.

Benjamin Fairless of U. S. Steel was nowhere near Pittsburgh, where the union officials who were keeping the steel industry strikebound had their headquarters. He, too, was in Washington, talking about steel prices.

• **A White House Matter**—OPA and the Office of Economic Stabilization knew no more than any outsider about

some very imminent basic price adjustments. The matter was in the White House province, where bargains with business were going to be made.

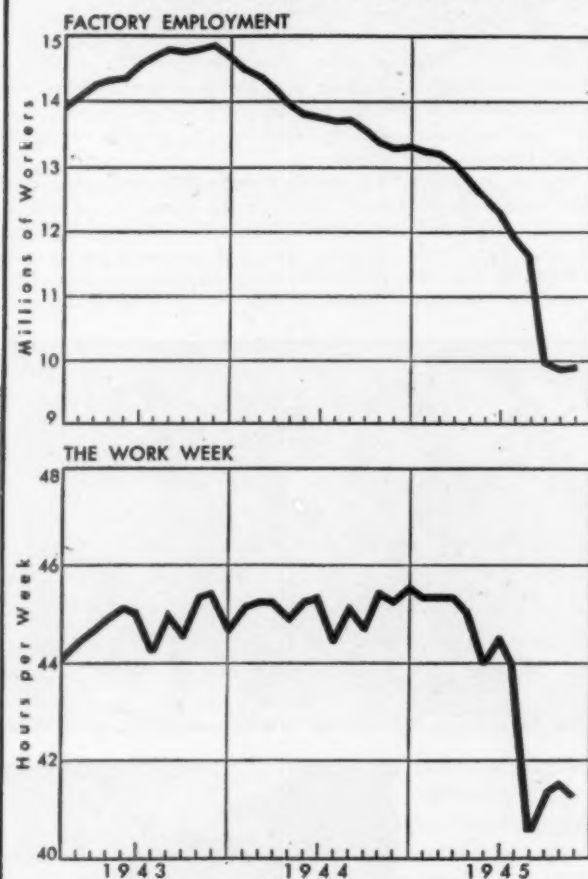
And what was holding up strike settlements was the knowledge that business' bargaining position on prices would be weakened once production was resumed at a wage level that would satisfy the unions. Some significance, for example, was attached to the fact that Ford and Chrysler, which had signed with the C.I.O., had their prices

already set, while the new General Motors cars are still unpriced.

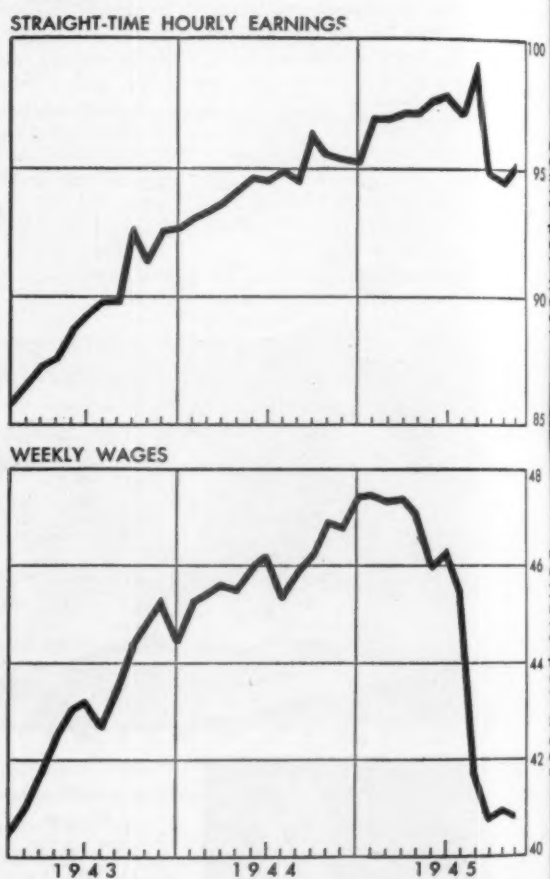
• **A Turn in Events**—The crucial Ford and Chrysler settlements, where strikers were not involved, were nevertheless taken as representing a turn in the nation's labor crisis. Although no strike anywhere went back to work as a result, General Motors was left in a difficult position. That company has ways maintained it met the high wages in the industry as a matter of policy. It could not much longer

FACTORY WORKERS IN THE TRANSITION PERIOD

The impact of peace on employment, hours, take-home pay, and straight-time wages is revealed in the national averages



Data, Bureau of Labor Statistics.



© BUSINESS WEEK

The end of the war accelerated a trend, already nearly two years old, which thinned out factory employment. The quick disappearance of nearly two million jobs within a month after V-J Day was nowhere near the dimension of the adjustment Washington expected, and the attainment of a plateau came faster than anticipated. Nor did war's end jolt straight-time hourly earnings—the cents-per-hour written into labor contracts—to the extent which labor leaders professed to fear. High paid jobs in the munitions industries were wiped out and some down-

grading occurred, but the average declined only about 4%. The work-week, however, although having risen slightly from its September low, was still 9% lower in November than in January. The modest decline in hourly pay rates and the sharp drop in hours together accounted for the heavy toll which the coming of peace exacted on the pay envelope. At \$40.89, the weekly wage for the last available month had skidded \$6.61, or 14%, from its wartime peak. It was this figure which the unions, through their wage drives, were trying to more than make up

to raise its 13 1/2% wage increase offer. Raising it to 17.4%, equivalent to 1946 levels, would meet the recommendations of the President's fact-finding board, and it to retain its claim to first place in the industry's wage lineup, and satisfy the union. A settlement on about that basis seemed in the offing.

Economic Pressures—G. M., in a favorable tax position for withstanding a long siege when the strike started (W-Dec. 1 '45, p16), was also running into some economic pressures which inevitably develop in a shutdown of such magnitude. The competition was sure that G. M. has had to abandon plans for putting into effect important tool-die changes called for in 1947 models. The union, putting on all the heat it could muster, this week stopped all G. M. contract work in 165 tool and die shops.

This move is the first of its kind in the auto industry, although it has ample precedent in other "secondary strikes."

Under the Bench—C.I.O. members who man these shops are simply putting G. M. jobs "under the bench," devoting their time to other jobs. To avenge the secondary strike, some of the tool and die makers who must necessarily be laid off because of the G. M. boycott are being hired by the union at \$1 an hour. They work on committees checking on shops to make sure that no work is done on G. M. jobs.

Security Compromise—The union security-company security issue, which the motor companies have been insisting is of great importance, was compromised in the Ford and Chrysler settlements in a way that foreshadows the pattern for G. M. and a large part of the industrial area the C.I.O. covers.

The new contracts provide, in both instances, that "the union agrees that it will not oppose the discharge or discipline of anyone who instructs, leads, or induces another employee to take part in an unauthorized strike."

Maintenance of union membership remains.

Without Fanfare—Meanwhile, the wage picture was further crystallized by contracts signed without fanfare in other industrial fields.

Some important new settlements: A.F.L.'s window glass cutters won 1.25-a-day increases from Libbey-Owens-Ford and Pittsburgh Plate.

Skilled workers at Bausch & Lomb Co. plants won 15%.

C.I.O. gas, coke, and chemical workers got 13% to 17% increases from 13 companies.

One Rubber Settlement—A relatively minor settlement may set the pace for an industry-wide settlement in rubber as Seiberling Rubber Co. and the C.I.O. agreed to a 12 1/2% increase, with the union



VETERANS BONUS MARCH: 1946 STYLE

Up the steps of Pennsylvania's Capitol Hill march C.I.O. electrical workers—most claiming to be veterans—to demand a special legislative session to revise state unemployment compensation laws. Converging on Harrisburg from throughout the state, the veteran-strikers contend they're denied jobless insurance until federal G.I. benefits are exhausted. They not only ask an amended law but seek a state bonus to match Army mustering-out pay plus funds for temporary housing. The bonus alone would cost \$360 million, officials said.

having the right to reopen negotiations if major Akron companies sign up for more than 12 1/2%.

The International Assn. of Machinists (A.F.L., suspended) accepted an 18¢-an-hour, across-the-board increase at the Lockheed-Vega Aircraft Corp., Burbank, Calif.

• Trucking Accord—In the Midwest, trucking companies and 7,000 A.F.L. teamsters agreed on a 15% increase—or \$1.02-a-day increases for long hauls and \$1-a-day for drivers on short trips.

American Zinc, Lead & Smelting Co. and C.I.O. Mine, Mill & Smelter Workers Union settled on a 12 1/2%-an-hour increase.

The Massachusetts Leather Mfg. Assn and several independent New England manufacturers signed with the International Fur & Leather Workers Union for 15% raises.

• Textiles and Clothing—Settlements were being reported steadily in the textiles and clothing industries at 17 1/2% (about 15¢ an hour) and a minimum wage of 75¢ an hour in woolen and worsted mills. American Woolen Co., Botany, and a number of New Jersey mills were already signed up.

C.I.O.'s Amalgamated Clothing Workers of America gained increases ranging from 20% to 31% for 150,000 employees of the Clothing Manufacturers Assn. of the U. S., which covers about 90% of all workers in the men's and boys' clothing fields.

Clothes for U. S.

OPA and CPA are expected to provide incentives that will set production drive in motion to meet overwhelming demand.

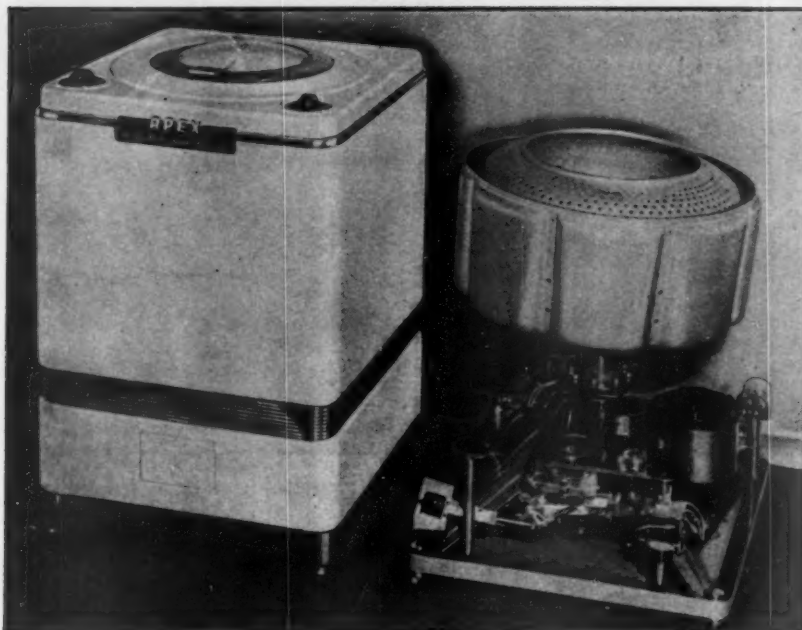
Clothing production, not immediately lashed by nationwide strike waves, may yet prove to be one of the bright spots in an otherwise dreary civilian goods picture.

Producers, given just a little more encouragement by the government, are ready to move ahead full speed.

• Present Strategy—Indications now are that production and price agencies will give an incentive here, an incentive there, a price boost where it will do the most good, cost-plus if it helps. But by no means will they stray far from the master plan based on (1) OPA's price averaging technique (MAP), which forces as much volume at low price lines as is reached in the upper brackets, and (2) Civilian Production Administration's M-328b program (BW-Feb. 24 '45, p18), which lends priorities aid to low-cost garment fabricators. That's the strategy at the moment.

Both agencies intend to maintain major controls now in effect.

• Point of Departure—OPA has stated that MAP in its basic form will stay;



LAUNDRY APPEAL

Two more washday challengers have entered the postwar lists. Claiming to employ a new principle, Apex Electrical Mfg. Co., Cleveland, puts clothes in a "basket" of perforated aluminum and magnesium, equipped with a series of baffles. The baffles and the clothes revolve; the basket bounds up and down, the combined motion reportedly cleansing the clothes with a minimum of fabric wear. For lighter duty work, 1900 Corp. of St. Joseph, Mich., displays a 6-gal. Baby Whirlpool portable washer (left). Only 20 in. high, it holds one sheet and pillowcase, or 22 diapers, or a two days' supply of feminine laundry. It sells for \$27.50.

CPA this week demonstrated that its second quarter programs for funneling rayon, wool, and cotton fabrics into critically short items will greatly resemble the schedules now in effect. It's from this point on that the liberalization starts.

Women's clothing makers are beginning to get enough fabrics to meet low-end (i.e. low-priced) needs of consumers. Where they run into snags on their MAP calculations, OPA is expected to ease penalty provisions to help them over the barriers.

• **Hoarding?**—There is one gloomy spot in an otherwise encouraging picture: Unless there is early assurance of a con-

tinuance of price controls beyond OPA's present deadline (the Stabilization Act expires June 30 if not reenacted), hoarding of textiles and items of finished clothing against a price rise is likely to become a chronic problem.

Shoe manufacturers were given a recent price boost which should go a long way to bring production up (BW—Dec. 8 '45, p. 28). Revisions in the nylon hose control will iron out some inequities which have been retarding shipments.

• **Men's Suits**—Chester Bowles and J. D. Small, OPA and CPA chiefs, egged on by veterans' complaints, and Senate small business committee probes,

are much more concerned, however, about getting popularly priced men's suits and overcoats on retail racks, that's where the emphasis is shifting.

CPA, earlier this month, altered its wool-channeling Schedule K in M-32 to allow men's wear items higher cut-off points. This means that men's suits and overcoats sold by manufacturers get first choice on needed materials in use of CC ratings. Fabric prices were adjusted to tie in with this change. Now CPA plans to raise the cut-off levels on made-to-measure garments from \$22.50 to \$28.50. This will permit the neighborhood tailor to get materials for men's garments and sell them at a better markup.

• **Impetus From OPA**—The Bowles agency, to give drive to men's fabric output, intends to exempt from its wool MAP restrictions all fabrics made below these cut-off points. Linings are also getting attention.

Manufacturers claim that rayon linings are just about the narrowest bottleneck in the trade. So OPA and CPA, with the sanction of Stabilization Administrator John C. Collet, promise rayon mills a 10% incentive price rise if they lift production on these 88- to 140-sley twills and serges.

The mills were pleased. They replied that they would meet an estimated deficit of 11,000,000 yd. of lining materials for the first six months of the year, and would even surpass it by 6,000,000 yd.—if the inducement were granted.

• **No Rise at Retail**—Price increases resulting from the 10% rise will be passed on by the converters, but absorbed by manufacturers, it is expected so that no price rise at retail will result.

One more hurdle remains to be cleared—suit makers' pricing. In a forthcoming men's clothing order, OPA undertakes to scrap present men's suit controls, and substitute a cost-plus type of restriction. Low-end producers are to be granted a higher margin, while better suit manufacturers face a cut in markup.

OPA gives assurance that this will mean no over-all increase in price.

• **To Be Swallowed?**—It is on this latter point that producers balk. A general wage boost of from 20% to 25% to men's clothing workers was granted in December. Under the pending OPA order, this would have to be swallowed by the manufacturer.

As yet there is nothing in the draft of the regulation to indicate that a major compensation is in the offing. However, Sidney Hillman, head of the Amalgamated Clothing Workers, after a recent White House visit, was very confident about a price adjustment based on the wage increase.

Sorry, No Rooms

Six months after V-J Day, puzzled travelers still line up for hotel rooms. Hotelmen expect the overflow to continue.

Business travelers who expected some relief of the hotel jam after the war, finding themselves herded into queues that are longer than ever, asking each other plaintively, "How are rooms harder to get than before?"

Married room clerks and managers take time out to explain that the basis of the stampede is national but with local aggravations. Travel of Army and Navy personnel still is heavy. So is that of families and friends who want to meet their heroes before they are discharged. Lifting of the ban on conveniences by the Office of Defense Transportation has also increased the difficulty of finding rooms by loosing a flood of pent-up delegates to the congresses of business and other organizations.

March Respite—Maybe—Some hotel executives see a ray of hope in release of the Office of Defense Transportation Pullmans on Mar. 15 for trips of more than 250 miles (page 24). It is asserted that the rule against such trips made things tougher for the hotels because it forces the traveler to sleep at a hotel rather than on the train. Thus other times a buyer going from Boston to New York or Washington to New York could get a full day in the metropolis by taking a sleeper both ways. Now he is apt to make the trip daylight one day, sleep in a hotel

at his destination, spend the day at business, sleep a second night in a hotel, and return on the third day. The net result is a demand for two extra rooms in the hotels.

But the more realistic don't expect abolition of the Pullman embargo to help the sorely pressed inns. They say that any relaxing of the rules is going to stimulate the pleasure tripper. It is more likely to do so now because there is plenty of scratch available with which to gratify the nation's itching foot.

• **Strikers and Buyers**—Some hotel officials are certain that the wave of strikes has added to the demand for rooms. Striking workers who accumulated over-size nest eggs in cash and war bonds now coast along on assurances of better pay when they return to their jobs. So they enliven their vacation by a fling in the nearest big town. Unlike their wartime excursions, the current pleasure forays don't end with some foreman making dirty cracks about absenteeism.

In addition an unprecedented crush of retail buyers is descending on the principal market cities. These frantic wretches are trapped between the importunities of threadbare but well-heeled customers, and suppliers who find it difficult or impossible to offer respectable merchandise and meet promised deliveries.

• **One Explanation**—"In normal times," muses the manager of a hospice in New York's garment district, "the buyer of a department store came into town at will, spent three or four days accumulating choice styles and the same number of nights acquiring whoopee and hangovers at the expense of the manufacturers. He returned home full of goodwill and the assurance that his orders would reach him on time with values up to samples."

And now?

"A buyer can't find anything worth buying in three or four days. It takes weeks. Moreover, recent experience has taught him that promises of delivery are too often mockeries. So he tries to stay in New York until his goods are shipped. Also, instead of one buyer, the visitation may consist of an assistant to help track down merchandise and even the owner of the store, who rejuvenates ancient trade friendships to obtain special treatment. The tide is swelled by merchants who formerly relied on traveling salesmen, who now feel that only a leap into the New York bedlam will produce results."

• **To Have and to Hold**—Hotelmen meet this mass impact as best they can. In the Hotel Assn. of New York City there are some 200 houses with a total of 83,000 rooms. (The Waldorf is the biggest outside.) Of the 83,000, a daily set-aside of 2,000 rooms is reserved for servicemen. In the scramble for the rooms that are left, the hotels quite logically "take care" of their old customers.

Artful devices are employed by others to obtain sleeping quarters and to hold them thereafter. As a general rule, a guest must vacate after five days. To get around this the visitor tries to get five-day reservations in several hotels. Last week a San Franciscan wrote a friend in New York that he had to spend the following month in the metropolis and would the friend please make reservations in six hotels for the five days each.

• **Hotelmen's Headache**—The president of a dress manufacturing company, say, has important buyers he wants to make comfortable. He gives his secretary a list of 50 hotels to call for reservations. She may give fictitious names since she



TO MEET AT CROSSROADS

spoils of war, the Nazi heavy cruiser Prinz Eugen (left) and the Nipponese battleship Nagato (right) will be included among the 100 floating targets when the atomic

bomb pits its strength against modern sea power at Bikini Atoll in the Marshalls next spring and summer. The project's code name is "Operation Crossroads"—a designation with special meaning to heavy industries if the experiment proves present warships obsolete.

is not sure of the buyers' arrival dates. The incoming merchant is supplied with the name under which he must register. Or in the case of a very, very important customer, a manufacturer will make several reservations just to be sure that one bed is available. Hotels try to discourage such practices by requiring written requests which give them something to check on.

Once he is installed, it is a job to get the guest out. Too often a buyer whose five days are up on Friday decides to stay over the week end. If these sticklers are old friends of the house, the extension may be overlooked. Often, however, the guest who overstays returns to find his things packed and in the checkroom, his room occupied.

• **Tenting Tonight**—It is these holdovers who slow down room turnover

and upset calculations for accommodating incoming guests. The results are evident in cots in ball rooms, dining rooms, or other public chambers. For the first time in its history, the Pennsylvania Hotel this winter had cots in its executive offices.

Other cities can match New York's difficulties. In Chicago a study shows how the hotel shortage is complicated by permanent tenants who have been unable to find any other housing. L. B. Ermeling, secretary-treasurer of the Greater Chicago Hotel Assn., figures that of the 135,000 rooms in the city's 1,835 hotels, only 25,000 are available for transients. Roomless convention guests have to be sent to out-of-town hotels, sometimes in towns that are as far away as Kenosha or Milwaukee, Wis.

"Reservations, Please"—A Sampling

On Jan. 22 reservation desks of hotels in six key cities were called for single rooms. The date of desired occupancy was given as Feb. 18—almost four weeks later. Replies shown below indicate that the outlook runs from spotty to impossible, but give travelers a fair idea of what to expect:

The City	The Hotel	The Response
New York.....	Waldorf-Astoria.....	Nothing till Mar. 1
	Plaza.....	We'll have something about Feb. 15
	Pennsylvania.....	Nothing before Mar. 15
	New Yorker.....	Nothing till Mar. 4
	Biltmore.....	Booked solid through February
Chicago.....	Commodore.....	O.K. for Feb. 18
	Blackstone.....	Nothing for six weeks
	Drake.....	Make request in writing and we'll see
	Morrison.....	Write request and we'll have room Feb. 18
	Palmer House.....	Single for Feb. 18 O.K.
Washington.....	Sherman.....	Single for Feb. 18 O.K.
	Stevens.....	Sold out for Feb. 18
	Hay-Adams.....	Nothing for Feb. 18
	Mayflower.....	Room available for Feb. 18, but one night only
	Shoreham.....	Yes — for Feb. 18
Detroit.....	Statler.....	Yes — for Feb. 18
	Wardman Park.....	Yes — for Feb. 18
	Willard.....	Yes — for Feb. 18
	Book-Cadillac.....	No single Feb. 18 due to convention
	Detroit-Leland.....	Single available for Feb. 18
San Francisco....	Fort Shelby.....	No phone reservations but have room Feb. 18
	Statler.....	Nothing to Feb. 25
	Whittier (residential)...	Nothing for Feb. 18
	Wardell-Sheraton (residential).....	O.K. for Feb. 18
	Fairmount.....	No single Feb. 18 but have \$14 suite
Los Angeles.....	Drake-Wiltshire.....	Have room for Feb. 18 but please write in
	St. Francis.....	Single for Feb. 18 O.K.
	Mark Hopkins.....	Single for Feb. 18 O.K.
	Palace.....	Small suite available
	Sir Francis Drake.....	Nothing from Feb. 17 to Feb. 20
Los Angeles.....	Ambassador.....	No reservations by phone
	Biltmore.....	Sorry — can take care of old customers only
	Clark.....	Nothing in February
	Hollywood-Roosevelt...	Nothing in February
	Mayfair.....	Single O.K. for Feb. 18
Los Angeles.....	Mayflower.....	No reservation so far in advance
	Town House.....	Nothing in February

Minerals Short

Ickes plea for stockpiling stirs up strong opposition from mine operators. War's depletion cost the U. S. \$36 billion.

Nature's bill for domestic mineral sources gobbled up by the war was presented this week by Secretary of Interior Harold L. Ickes. Although national cupboard is by no means bare, Ickes points to an alarming list of shortages caused by prodigious expending more than 30 essential minerals. U. S. reserves of 22 of these "blue chip" minerals are not big enough to last years, a period longer than any previous America has known in the last 100 years.

• **Operators Disagree**—Ickes' plea found little sympathy at a Colorado Mining Assn. conference last week in Denver, where the western operators plumped for an end of government controls and for higher prices to bring marginal ore lands into production to encourage exploration. This group maintains that the U. S. still has relatively large mineral resources despite war's depletion. While the operators agree in theory that strategic minerals should be stockpiled, they demand a steady market for domestic ores and oppose foreign buying as advocated by Ickes.

Minerals for making modern weapons, and fuel for propelling them, for civilian needs, cost the U. S. \$36 billion during the war years and took from the earth six times as much as in a year of normal production. This is staggering 20% of the total output during the 65-year period from 1880 to 1945. Metals produced during five war years were valued at \$11,002,000,500; fuels \$20,748,300,000, and nonmetallic minerals like graphite, talc, and potash at \$4,480,000,000.

• **Cream Already Skimmed**—Unless likely new discoveries of vast new deposits of natural resources are made, unless replacements in the form of imports are made, Ickes warns, another war will find America crippled.

Now that the cream of high-grade ores is almost gone, the Bureau of Mines has speeded up studies of techniques to utilize marginal deposits. German methods of making gasoline, lubricants, and edible fats from low-grade coal (BW-Dec.1'45,p73) are being used here. And because petroleum reserves appear to be only enough to last about 20 years, President Truman has claimed federal jurisdiction over 700,000 sq. mi. of continental shelf area.

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FOR GOOD NEIGHBORS AND GOOD BUSINESS

In Palisades Park, N. J., some 300 new trucks and passenger cars from the Ford Edgewater plant await shipment—not to the clamoring home market but to South America, reportedly Peru and Venezuela. Until enough cars can be turned out to make a real splash in the almost empty home bucket, much output is headed for foreign channels. Thus industry avoids friction in the domestic market, wins a vital foothold abroad—in competition with other countries that are pushing exports to rebuild their own economy.

ounding the U. S. and territories where more oil and minerals may be found (BW—Oct. 6 '45, p. 42).

Plea for Stockpiling—The U. S. is already a "have not" nation in regard to copper, lead, zinc, cadmium, mercury, chromium, nickel, tin, asbestos, antimony, tungsten, gold, silver, and industrial diamonds, according to the Ickes report to Ickes last spring (BW—May 19 '45, p. 70). Substantial imports of these items were needed before the war and became hard to get during the war. Almost all the tin, chromium, manganese, nickel, and industrial diamonds used in American industry are now imported.

New information about known deposits, changing demands for minerals, and new (but more expensive) processes for using low-grade ores may extend the time during which U. S. resources can fill demands.

Drop in Value—Stockpiling legislation now is on its way through Congress that would cover critical materials of both domestic and foreign origin. Mine operators are fairly well satisfied with this bill, which would give the stockpiling committee (made up of representatives of government departments and the industry) authority to buy surplus strategic minerals at not more than market price, the minerals to be released

only by act of Congress, and then only after six months' notice. The latter provisions obviously are aimed to protect the domestic market.

Bureau of Mines figures on 1945 production of minerals and mineral products list their value at \$8,067,000,000, only a 4.6% decrease from 1944 despite the war's end in August.

MISSISSIPPI TUNNEL

To expedite traffic, particularly to New Orleans' new air freight terminal at Alvin Callender Field, the city is considering a tunnel beneath the Mississippi River to connect the downtown section of the city with the West Bank.

A survey to determine the economic feasibility of such a project was recently undertaken by Ole Singstad, the builder of Hudson River tunnels. He considers the engineering difficulties minor. His survey will study costs and probable revenues.

The only span south of Baton Rouge at present is the Huey Long Bridge, some 20 miles above downtown New Orleans. Singstad's survey was commissioned by the New Orleans Assn. of Commerce, which will be guided by it in deciding whether to plump for a bridge or a tunnel.

Isthmus vs. Atom

Congress hands War Dept. job of figuring how to enlarge and defend Panama Canal, and cut other seaways if needed.

When the emergency ended at Panama, long before V-E and V-J days, the War Dept.'s canal engineers began studying measures for the future expansion and defense of Theodore Roosevelt's big ditch (BW—Aug. 11 '45, p. 64).

To bring these studies into focus, the governor of the Canal Zone (a War Dept. functionary) has been instructed by Congress to submit his recommendations by Dec. 31, 1947.

• **Exploring the Future**—In view of the unpredictability of weapons—with such possibilities as atom bombs electronically guided through the air—the military is groping for defense methods. Obviously the Canal Zone is high on the list of key positions in this hemisphere.

When Congress adopted the program for a third set of locks in 1939 (BW—Sep. 9 '39, p. 5), the expectation was that construction would be completed in 1945. No increased commercial traffic capacity was deemed to be necessary until 1961, but with Hitler on the march in Europe, Congress had the possible needs of the Navy in mind. It was too late. The project was overtaken by the war and work was suspended. Congress is calling for the new survey now, with the understanding that the 1961 traffic deadline shall not be set back by any projects that may be authorized in addition to, or in lieu of, the third locks.

• **Other Canals?**—That the War Dept., which runs the Canal Zone, means to explore all possibilities is indicated by the congressional authorization. After directing the governor to estimate the cost of increasing the capacity and security of the canal for future commerce and defense needs, the act directs that he also make studies to determine "whether a canal or canals at other locations" may be more useful than the existing channel with improvements.

Congress goes so far as to stipulate that "any new means of transporting ships across land" be considered.

This obviously refers to a Broddingnagian railroad, with beaching and hauling gear, proposed by inventors whom the experts laughed out of Washington a few years back.

• **Possible Recommendations**—Canal engineers have several projects in mind, of which any or several may be recommended. What seems desirable now may look different after the Army and

Navy finish testing atom explosives in water, or learn more about guided missiles.

One possibility is completion of the third set of locks, on which \$70 million has been spent in excavation. These locks would have chambers 140 ft. wide by 1,200 ft. long, to accommodate larger future ships, as compared with present locks of 110 ft. by 1,000 ft. The third set would be one-quarter to one-half mile distant from present locks, and thus would fall into a separate bomb-target pattern. Desirability of grouping new locks with old, on the Pacific end, so as to form a larger ship anchorage basin, is being considered. Even greater lock dimensions than those proposed are under study.

• **No Locks at All?**—In greater favor than it was before development of the atom bomb is the proposal to drop the entire canal to sea level, at a cost of around one billion dollars, thus eliminating all locks and removing the chief danger from bombing: loss of Gatun Lake supply water by enemy action against dams and locks. This would require a cut from the present maximum water level of 85 ft.

With greater risks in future war, engineers will study other canal locations, and the possibility of having at least two canals. A cut about 175 miles long, through land elevations of 100 ft. maximum, could be made in Nicaragua, incorporating Lakes Nicaragua and Managua. This was formerly thought to be feasible only by using six sets of locks, but a sea level project undoubtedly will be reconsidered.



In 1942, before the war halted work on the third set of Panama Canal locks, bulldozers had completed \$70 million worth of excavation (above). Today, fate of the project may depend on what the atomic bomb does in sea tests.

Termination O. K.

Hinckley's resignation is accompanied by report showing good progress on settlement of \$64 billion war contracts.

Robert H. Hinckley, Director of Contract Settlement, was packing up this week to leave Washington after 18 cool and fairly comfortable months on what once threatened to be one of the hottest spots in town. His departure means that the government's program for settling terminated war contracts now is over the hump, even though a lot of the final checks remain to be written.

• **No New Regulations**—The last quarter of 1945 put the contract termination system on a sink-or-swim basis. In the rush of terminations, claims, and plant clearance requests that followed the collapse of Japan, there was no more time for abstract planning and experiment.

When the rush began to subside, Hinckley was able to report that the termination program was paddling along nicely. During the crucial last quarter, the Office of Contract Settlement did not have to issue a new regulation or order any major change in the planned procedure. As far as top planning and coordination were concerned, the job was pretty well whipped by the end of the year.

• **Going With Network**—With this picture in front of him, Hinckley turned

in his resignation, effective Feb. 1. He already has been signed up as vice-president and director by American Broadcasting Co., which is controlled by Edward J. Noble, once a colleague of Hinckley's in the Civil Aeronautics Authority.

H. Chapman Rose, deputy director and once an Army procurement officer, will take over Hinckley's job for the next few months. By the end of June at the latest, termination officials think that they will be able to shut up shop and turn over their few remaining functions—mainly the appeals board—to the Office of War Mobilization & Reconstruction.

Along with his resignation Hinckley turned in his sixth quarterly report to Congress. This gives a summary of contract termination in the past year and one-half.

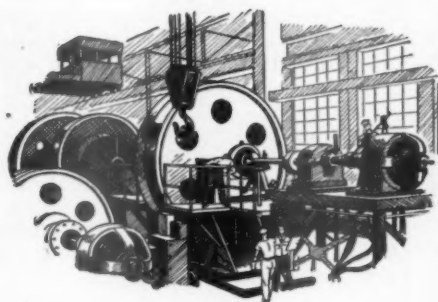
• **Better Than It Looks**—According to Hinckley's figures, 303,000 prime contracts involving commitments of \$64 billion have been terminated since the start of war production. Of these, about 250,000, representing commitments of \$30 billion had been settled by the end of 1945.

In some respects this is a better score than it looks. The contracts that are still unsettled generally are the big ones involving complicated inventories and an intricate set of claims from subcontractors. Procurement officials and contractors have been putting in a lot of work on these, but their progress won't show until the final settlements are buttoned up. Of the 53,000 contracts that were unsettled at the end of the year, about 18,000 were covered by claims that had been filed but not yet approved. The rest—the slowest and most troublesome of the lot—had not reached the claim stage.

• **Rush to Clear Plants**—All in all, termination officials estimate that considerably less than 5% of the 168,000 unsettled contracts pending at V-J Day or terminated since then will still be hanging fire by the middle of the year. Aside from a few fixed price contracts that involve particularly tough technical problems, the last to be finished probably will be the cost-plus contracts, which require extra auditing and usually cover especially complicated production processes.

For the last four or five months most contractors have been more anxious to get their plants cleared of government property than to work out a cash settlement on their terminated orders. From April, 1945, to the end of the year, termination officials received 135,000 requests for plant clearance—103,000 of them after V-J Day.

• **Few Financial Worries**—By the year-end, officials had acted on 107,000 of



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these requests, and in the final quarter, only 5.3% of the plant clearances took longer than the 60 days the law allows the government to get its property out of the contractor's shop. Hinckley estimates that by the end of the year, the plant clearance job was roughly half done.

Worries about interim financing, which plagued contractors a year or so ago, have turned out to be a false alarm. Although OCS made elaborate preparations to provide contractors with funds while their own money was tied up in terminated contracts, comparatively few manufacturers have drawn on all the resources open to them.

• **Settlements Up to 12.7%**—Hinckley figures that contractors now have roughly \$3,500,000,000 tied up in unsettled war contracts (in other words, a little better than 10¢ on each dollar of commitments). To help carry this, they have \$890 million in partial payments, \$30 million in special termination loans (T-loans), and a large part of the \$480 million outstanding in guaranteed production loans and the \$600 million in advance payments.

From the government's viewpoint, termination still is coming cheap in comparison with the volume of canceled commitments. Since July 1 settlements have averaged 12.7% of the fixed-price commitments involved. This was a sizable jump over the previous average of 7.6%, but officials had expected the settlement rate to rise with the end of the war when it would no longer be possible to divert inventories to other war production.

Favored Leaf

Flue-cured tobacco crop far from sharing price woes of burley, is so much in demand that acreage will be upped.

Colonels in Kentucky's legislature watching prices for burley tobacco tumble at auction markets (BW—Jan. 14, p. 44), orate: "The buyers are robbing our boys."

Growers of burley leaf (Kentucky produced two-thirds of the 1945 crop; eight other states, notably Tennessee the other third) are even more pointed in their charges of collusive raiding against buyers. They are fuming, as they did in the depressed markets of the thirties, that it's time the Dept. of Justice took a hand.

• **Too Much?**—Impartial observers suggest simply, "Maybe there's too much burley."

Wherever the truth lies, the 1945 crop will bring a disappointing return. The yield was a record 603,000,000 lb. (against the 1934-43 average of 530,000,000). But it was grown on about 6% more acres than 1944's 591,000,000 lb., which means higher production costs per pound. And the average price when the auctions' results are finally tabulated, will be way below what the growers hoped to realize.

• **A Good Start, But**—At the opening of the burley markets the first week of December, all the high expectations

Short Pullman Runs Restored Feb. 15

Short sleeping car runs of 351 to 450 miles will be permitted after Feb. 15 when the Office of Defense Transportation modifies its set-aside order of last July and begins restoring 895 Pullmans to the railroads for civilian use. After Mar. 1, Pullmans for trips of 251 to 350 miles will be available, and after Mar. 15 for runs under 250 miles. Ticket reservation limitations, which have been 14 days prior to use since Sept. 9, will end Mar. 15, so far as ODT is concerned.

Trips that will be restored Feb. 15 include Buffalo to New York 427 miles, New York to Pittsburgh, 440, Chicago to Kansas City, 436, Chicago to Minneapolis, 417, Dallas to Baton Rouge, 411, Spokane to Portland, 377, and Miami to Jacksonville, 366.

After Mar. 1 Pullman service will

be allowed between Chicago and Detroit, 272 miles, Des Moines, 339, St. Louis, 294, and Evansville, Ind., 284. Also affected are runs between Dallas and Little Rock, 332, New York and Norfolk, 346, and San Francisco and Reno, 272.

Mar. 15 will restore such popular runs as New York to Boston, 227 miles, New York to Washington, 232, Cleveland to Cincinnati, 239, Chicago to Toledo, 231, and Seattle to Portland, 183.

A sharp dwindling in troop movements, which reached their peak in December, plus the completion of 1,200 new troop sleepers, permits the return of the 895 Pullmans. The military will then have more sleepers than it had during the December rush, but it insists it needs and will use them.



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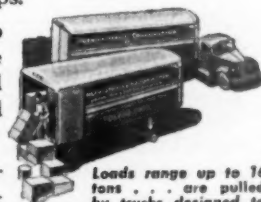
The corporation has factories in Ohio, Pennsylvania, New York, Illinois and Michigan. And with work in process on more than 10,000 different parts, there's a lot of material to be handled . . . 7½ million pounds a month.

Maintaining precise schedules, the Trailers keep materials flowing smoothly between the several plants . . . 175 to 630 miles apart. In addition, they make direct deliveries to

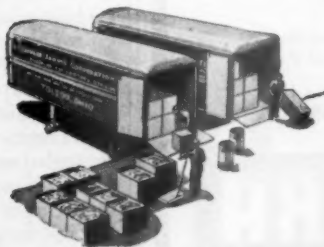
customers—and bring back ingots and other raw materials on the return trips.

Trailer loads range up to 15 tons . . . average about 10 tons . . . and all but the heaviest are pulled with 2½-ton trucks.

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seemed justified. Prices started off above \$47 a cwt. and top bids at \$51.29 were recorded at Cynthiana, Ky.

But, just before Christmas, the bottom fell out. On Jan. 12, the statewide average was down to \$37.37 for Kentucky. Abingdon, Va., saw a low of \$33.67. Many buyers began to repeat bids elicited by the auctioneers, turning empty baskets over the offering they had spread on the floor.

Since that time there has been moderate improvement in prices—ranging from 70¢ to \$2.70 a cwt.—but none of the tempers.

• **Many Suggestions**—Kentucky's Gov. Simeon S. Willis flirted with the idea of a market holiday while he asked Congress and the Dept. of Agriculture to intervene. Farmers have come forward with many suggestions, including floor prices 4¢ a lb. below ceilings. The Kentucky legislature is considering a 15 member commission to assure "legitimate, orderly, honest, and businesslike sales...."

Actually, though, the recent average price of about \$37 a cwt. gives growers about \$8 more than the level at which federal price-supporting loans come into play. And current market quotations are about double the prices of five and six years ago.

• **What the Buyers Say**—Buyers contend that farmers brought in their best tobacco for the opening of the market and that, encouraged by high quotations, they rushed to dump inferior heavy leaf which is less desirable for cigarettes. (There was an unusual quantity of heavy leaf in the 1945 crop due to adverse weather.)

An OPA ceiling of \$41 a cwt. average for all grades was set as an objective price for burley, and \$44.50 for the flue-cured which is the principal cigarette type. However, there is the interesting difference that each individual grade of burley (and there are many) has its own ceiling price, so that the \$41 is a figure to cover the average for the whole crop and it does not affect the sale of a given grade. The flue-cured ceiling is different in that it is the amount beyond which the buyer average price paid for all grades cannot go for the season.

• **How It Averages Up**—In practice, it begins to appear that the average burley price of the season will be in the \$37-\$40 range, and it is now known that through Jan. 18 flue-cured sales for the season (almost ended) of 1,158,104,081 lb. brought the grower an average of \$43.79. Buyers were eager because flue-cured is in such short supply the world over that poorer, lower-than-average leaf brought higher prices than would normally have been the case.

An unwieldy surplus of burley of

Cigar Leaf at Auction

The auction method of marketing tobacco was introduced in the Pennsylvania Amish country this month. Some farmers held back part of their crop because of skepticism; others because they were short of field help.

• Since prices obtained were the highest in the 100-year history of Lancaster's cigar leaf crop, the skepticism is expected to disappear. A member of the Growers Cooperative predicted that, with more manpower in prospect, most of the growers would turn to the auction method next year.

More than 80,000 lb. of leaf changed hands in the first few minutes of bidding. The price for wrappers climbed from 23¢ to 41¢ per lb.; filler went from 15¢ to 16¢. (OPA ceilings of 21¢ on wrappers and 7¢ on fillers were recently removed.)

• Most of the big company representatives did not bid, but went out next day to do their buying on the farm as in previous years. One seven-acre crop brought a peak of 45¢ per lb. for fancy wrappers, with 15¢ for filler.

Farmers in the district average 1,300 to 1,500 lb. per acre, supply about 90% of the crop for Pennsylvania, which holds first place in cigar leaf production.

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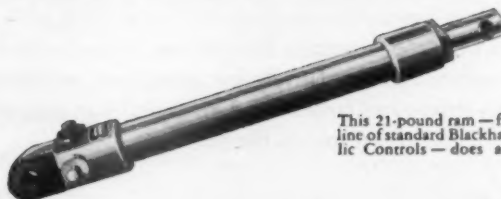
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This 21-pound ram — from the big line of standard Blackhawk Hydraulic Controls — does a 7-ton job.

some 265,000,000 lb. will be a problem following the present season. Sen. Alben W. Barkley has indicated an interest in exploring the export possibilities for burley, though burley export experience indicates that this may not prove a dependable or expanding outlet.

• **Only a Trickle**—While about 35% of the tobacco in cigaret blends, most of the pipe tobacco, and much of other tobacco products are burley, only a trickle has ever entered foreign trade. Flue-cured normally constitutes about 52% of the blend in cigarets, and in 1939, 39.1% of total production or 358,000,000 lb. were exported.

In foreign trade flue-cured is known the world over as "bright Virginia tobacco." As much as 40% of production has been exported in some years. A possible reason for this foreign preference for "bright Virginia tobacco," in addition to established usage, is its high sugar content. The sugar content of burley is low by comparison, which accounts for the bitterness common to the leaf.

• **Differences**—Up to the point of harvest, the methods of growing burley and flue-cured are not dissimilar. But

burley is removed from the field for air-curing by cutting down the whole plant in a single stroke. Flue-cured must be carefully harvested by gathering the leaves from the stalks in the field, which requires a great deal of handling prior to the flue-curing process in the barn. This means extra labor—perhaps \$5 and \$10 a cwt.

The Secretary of Agriculture has already announced a 10% increase in the national marketing quota for the 1946 crop of flue-cured tobacco. It will be effected by adding 10% to the acreage allotment of each grower, as previously determined for this year under the marketing quota plan.

• **To Build Inventories**—With this increase, the total will be around 1,250,000 acres, or about 130,000 more than last year. The flue-cured quota has been upped to build up inventories in the next year or two not only in the United States but in much of the rest of the world, where supplies of cigaret and smoking tobacco are now at rock-bottom levels.

Friends of the burley growers, on the other hand, want to see 1946 acreage curtailed rather than increased in view of the depressing oversupply which seems to be weighing down the market. Already action has been initiated in Washington, where the House of Representatives has approved a bill that is sponsored by Rep. John W. Flanna-

gan (Va.), chairman of the Agriculture Committee.

• **Growers' Referendums**—This bill would lower marketing quotas for burley this year and also would set up the machinery for growers' referendums on quotas for both the burley and flue-cured crops of 1947.

In the meantime, the heaviest user of both burley and flue-cured tobacco, the U. S. cigaret manufacturer is feeling the result of being pinched by rising leaf and labor costs—particularly some of the smaller producers. Brown & Williamson Tobacco Corp. announced last week that it is buying less than 20,000,000 lb. of its 52,000,000-lb. allotment of burley tobacco this marketing season, with an intimation that this action may have been caused by lack of profits on its 10-cent or economy-brand cigaret.

• **Holding the Line**—Ceilings on the one-time 15¢ brand cigaret have remained unchanged throughout the war period despite sharply rising costs for both leaf tobacco and labor. OPA has so far not heeded the requests of cigaret manufacturers for a change, but Kentucky legislators were at the point of recommending a boost if it would be possible to arrange for all or most of the increase to go to the tobacco farmers.

In the meantime, it is believed that most cigaret manufacturers would be

completely satisfied if 1946 production were to duplicate that of 1945, the greatest year of record, when an estimated 331 billion cigarets were produced as against the 329-billion total in 1944. U. S. consumption of cigarets has continued an uninterrupted rise since the first World War so that a possible slight decline in cigaret production in 1946 will principally be only a reflection of the loss by manufacturers of overseas military orders.

Rate Base Cut

In New York Telephone case, Supreme Court holds that intercompany profits may not be figured into costs.

Profits which result when affiliated utilities do business with each other shouldn't be hung on customers as costs in the rate base.

This principle, while hardly new, was expressly spelled out by the Supreme Court this week in holding that the Federal Communications Commission was right in ordering the New York Telephone Co. to write off \$4,166,510. In so deciding, the high court reversed a New York district court.

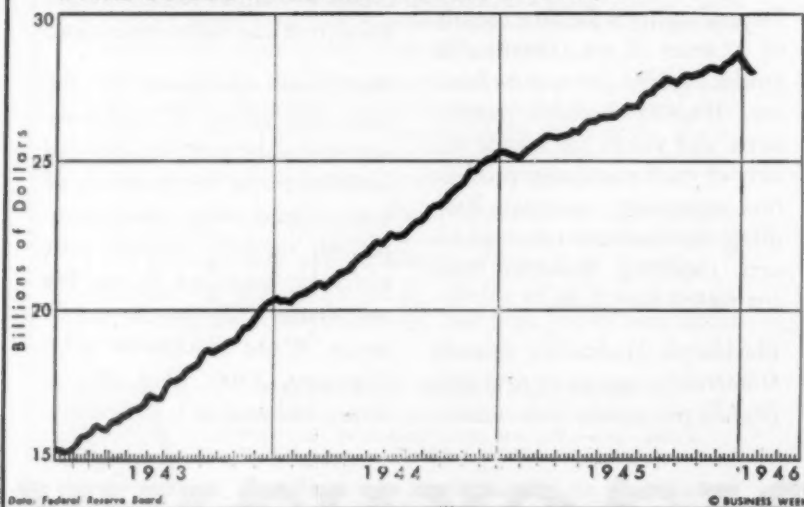
• **Regulation Basis**—The decision is a victory for officials of FCC and the Federal Power Commission who have been hammering out a broad platform of utility rate regulation based on the original cost of property used and useful in the public service.

The costs in question were entered on New York Telephone's books when it took over the last intrastate telephone business of American Telephone & Telegraph in 1928. They represent the excess over American's net book cost of the price which New York Telephone paid for the facilities in question. The phone company argued that since the accounting whereby the costs got on the books originally was legal at the time, FCC could not retroactively order them eliminated, a contention the court rejected by a 5-to-1 margin.

• **Broader Ruling**—In language which broadens its previous rulings on the allowability of eliminating intercompany profits from rate bases, the court declared:

"When FCC finds, after full hearing and on evidence which sustains the finding, that part of the cost on the books of a company is due to a profit made by an affiliate or a parent at the time when the affiliate or parent has transferred property to it, the commission has determined . . . that there has been no true investment. . . ."

IN THE OUTLOOK: MONEY IN CIRCULATION



Money in circulation declined by \$672 million in the four weeks after Christmas, more than four times the dip a year ago. Thus the decline quite obviously is of larger than seasonal proportions (BW—Jan. 26 '46, p10). The primary cause is the reflex from the far greater than average splurge of holiday spending in 1945. This is augmented by relatively low agricultural income in midwinter. But low payrolls—strikes and layoffs—and lower military payments (as demobilization slackens) also contribute to the trend.

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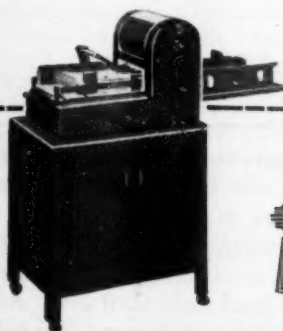
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Frozen Foods: a New Horizon

Infant industry, facing vast opportunity for volume sales, still has to crack hard problems of marketing and distribution. Three obstacles: transportation, warehousing, dispensing cabinets.

Seventy-five years have passed since the first commercial venture in which food was frozen to preserve it—revealing a brand new horizon in the age-old business of food distribution. Yet the frozen food industry, measured by the impact of its products on the eating habits of the American people, still is in its infancy. Only 1% of the fruits and 0.35% of the vegetables eaten in the United States are frozen foods.

• **Depends on Viewpoint**—The per capita consumption figures (1½ lb. of frozen fruit annually for example) are at once disheartening and heartening to the food freezer as he enters upon the first peacetime year in which he can adjust his sights on a production target, without too much regard for the factors which diverted his aim during three years of war.

They are disheartening in their smallness. But they are heartening to the packer in that they spread before him a vast panorama of opportunity to expand at the expense of other segments of the food industry, processed and unprocessed. And small as they are, they mirror a phenomenal growth in recent years (chart); people are eating more than twice as much frozen fruits and vegetables as they ate in 1940. Production figures show this clearly (in thousands of pounds):

	Fruits	Vegetables
1942	221,863	162,588
1943	228,000	230,000
1944	322,638	234,336
1945*	310,000	260,000

* Preliminary estimate by National Assn. of Frozen Food Packers.

• **Figures Elusive**—Fruits and vegetables are the two major, and most easily measured, categories of quick-frozen foods. Statistically elusive, but also substantial, is the annual pack of three other foods:

(1) Production of prepackaged, quick-frozen fish is difficult to determine because it is commonly lumped in with figures on fish frozen for storage and subsequent resale after thawing.

(2) Quick-frozen eviscerated poultry

is a promising postwar consumer item, but very little reached the civilian market during the war because of military set-aside orders.

(3) Many foresee a rosy future for prepackaged frozen meat, which was packed in large quantities during the war for military use exclusively; packers estimate that within five years it might amount to 10% of total U. S. meat consumption (BW—Aug. 18'45, p91).

• **Limits on Expansion**—Despite the industry's phenomenal growth, consumption of frozen fruits and vegetables is barely one-twelfth that of canned foods, and far less than 1/100th that of fresh food. These figures leave room for a potential expansion that has led the optimistic into fantastic predictions of a

petal-strewn path winding into the future of frozen foods.

Processors—at least the realists among them—see some thorns among the petals. They know that the industry can grow no larger than:

(1) The refrigerated warehouse capacity that is available where it is needed to hold their products at zero temperature or lower.

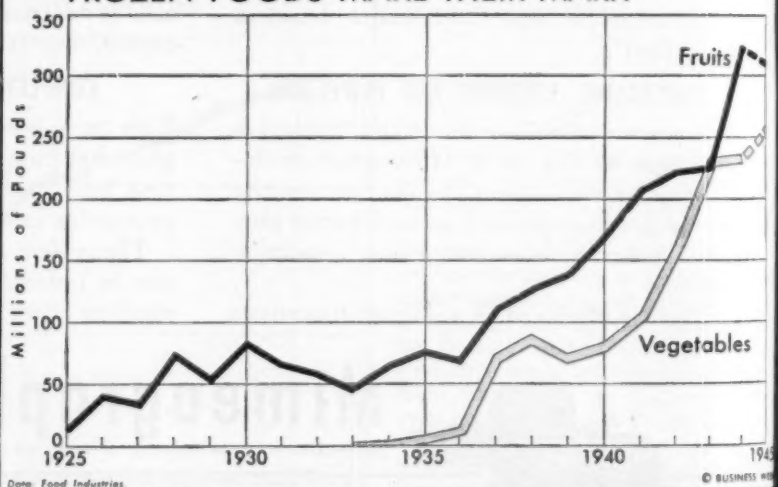
(2) The aggregate of refrigerated cabinet space available in stores, institutions, homes, and frozen food lockers.

(3) The capacity of efficient refrigerated rail cars and motor trucks to keep the finished product moving through the channels of distribution.

• **Hobbles Growth**—Until adequate capacity in all three categories is assured, the frozen food industry has no choice but to hobble along at a pace which not only fails to meet the demand for its product, but also chokes plans for a program of merchandising and advertising commensurate with the growth potential of the business.

To the extent that it requires much

FROZEN FOODS MAKE THEIR MARK



In its early stages the frozen food industry confined itself to fruits, and they were cold-packed (the industry term for slow freezing in 52-gal. barrels or other large containers) rather than quickfrozen in small consumer or institutional packages. In 1933, after the industry was satisfied that frozen vegetables could be eaten safely, the emphasis shifted to quickfreezing, although no significant pack of frozen food was offered to the retail trade until 1935. After 1937 the industry grew rapidly, and is now branching out into other foods, poultry, meat, fish, seafood, pastry, and cooked foods. The drop in last year's frozen fruit production was due primarily to early frosts causing a bad crop year.

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Under temperatures, frozen food is more perishable than fresh food. Once it has been defrosted it cannot be refrozen without loss of quality and the advantages it claims over fresh and canned foods.

Plenty of Competition—Handling capacity is only one of the struggles confronting frozen foods. Competition with other foods for the housewife's dollar is another. The patient vigilance of the canners, large and small, who need only freezing and refrigerated storage space to convert to frozen foods, is all another.

And the obvious determination of fresh food distributors to woo the shopper by glamorous packaging and careful preparation of product makes it certain that the food freezer won't win any campaign ribbons without fighting for them. An example of this trend is the current experiment of the Great Atlantic & Pacific Tea Co. in prepackaging and refrigerating fresh produce (BW Oct. 20 '45, p93).

Sugar Paradox—One vital fact which is not apparent in the charts but which the thoughtful packer of frozen foods does not overlook when he calculates his future is this: Frozen fruit production leaped 41% in 1944 over 1943, but fully 89% of the increased volume was in three fruits (apples, apricots, and peaches) which were diverted in great bulk into markets which the trade regards as fictional because of temporary conditions of artificially sharp demand. One of the paradoxes of food rationing was that OPA sharply restricted the supply of sugar to canners, bakers, ice cream makers, preservers, and other remanufacturers, yet allowed frozen packs to process those three fruits, in sugar sirup, in astoundingly increased volume. Hotels, restaurants, clubs, and hospitals—the so-called institutional users—therefore conserved their scant sugar supplies by scrambling for frozen fruits.

Artificial Volume—Even greater was the take of remanufacturers. In 1943 their consumption of frozen apples, apricots, and peaches was 95%, 97%, and 86%, respectively, of the totals. In 1944, although these percentages changed little (to 95%, 95%, and 88%, respectively) the total packs of these fruits increased so much that actual usage by remanufacturers was much greater (figures in thousands of pounds):

	Used by Remanufacturers or Institutions	% of Increase
	1943	1944
Apples		
Apple sauce ..	26,698	29,771
Apricots	9,712	39,300
Peaches	14,458	40,095

When sugar restrictions are lifted and



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In an A. & P. bakery, frozen fruit for a pie (left) goes into a test electronic oven for defrosting. Dr. William Cathcart (right), A. & P. laboratory head, samples an outcoming plateful, thawed for baking after a few seconds inside.

the same fruits are available in cans, frozen food packers may lose much of this artificial volume. The canned fruits are cheaper and require no defrosting. And until somebody perfects a defroster of reasonable price which will thaw a large package or barrel of frozen fruit quickly and uniformly, remanufacturers don't want to be bothered.

• **Electronic Defrosting**—Experiments in defrosting by dielectric heat are being carried on by Dr. William Cathcart, head of the A. & P. bakery laboratories. His tests with A. & P.'s new electronic equipment for killing mold spores in baked bread (BW—Nov. 24 '45, p. 54) show that it will defrost three 1-lb. slabs of frozen fruit in a matter of seconds—at least on a laboratory scale.

An electronic "oven" built by Federal Telephone & Radio Corp. is now being installed in one of A. & P.'s New York bakeries. It is expected to defrost a barrel of frozen fruit within an hour, compared with seven days which A. & P. now requires for defrosting at room temperature. Laboratory experiments indicate that dielectric defrosting, besides cutting time and reducing storage space requirements, prevents the decomposition and discoloration which often occur when frozen fruits are defrosted at room temperature.

A. & P. can sandwich its fruit defrosting in between bread processing in the electronic equipment it already has; but for the average remanufacturer electronic defrosting, even if it proves a satisfactory operation, so far is out of the picture because of the high installation costs.

I. PRODUCTION

When nature has finished its work on a fruit or vegetable, nothing that man can do will improve its intrinsic goodness. Improvement must begin in the fields and orchards.

This is axiomatic in any branch of the food industry. Canners learned years ago that product quality is tied irrevocably to their efforts to develop fruits and vegetables specifically for the canning process. The Minnesota Valley Canning Co. has spent upwards of 20 years developing new strains of peas and hybrid corn for canning.

• **Research Under Way**—In growing numbers, frozen food processors are awakening to the need for agricultural products tailored to the freezing process. Birds Eye-Snyder, Inc., subsidiary of General Foods Corp., which dominates frozen foods sold at retail, has done some quiet experimenting, and smaller processors have given the problem some thought.

Several state agricultural experiment stations are engaged in such research. An illustration is the effort of the Western Washington Experiment Station (Puyallup, Wash.) to cross the Elberta peach, which has superior texture, flavor, color, and appearance, with the Sunbeam, which does not brown, or oxidize, as rapidly as other more desirable freezing varieties.

But it takes about ten years to develop new fruit trees, about three to develop a new vegetable strain, and these time factors are considerable hurdles for any freezer to contemplate in

the struggle to market a better product. • **Borrowed Techniques**—As the freezing industry has adapted the materials developed by the canner, it has leaned heavily on canning know-how for its processing technique.

Steam blanching, which sterilizes the produce and inactivates the enzymes that cause off-flavor and off-color in food and destroy its palatability, is a direct application of the canner's technique. But prolonged steaming has a tendency to break down the fibrous structure of food and has the effect, often undesirable, of precooking it and lowering the vitamin value.

Sulphur dioxide and ascorbic acid have been found by freezers to be as useful as antioxidants, delaying discoloration in such foods as peaches, which rely heavily on eye appeal for their desirability.

• **Trend to Electronics**—There is some indication that the tools of the canner trade, not too efficient in their application to the freezing process, may give place to a more modern tool—electronics—which some enthusiasts believe can be used for blanching and precooking as well as for defrosting.

An electronic treatment to inactivate enzymes and control oxidation has been developed experimentally by the Electronic Chemical Engineering Co. of Los Angeles. The packaged food is exposed before it is frozen to high-frequency electronic waves which raise the temperature uniformly throughout the product to arrest the action of the enzymes.

The company asserts that its process will produce a frozen food which, when defrosted, is closely identical to fresh food in color, odor, texture, flavor, and vine-fresh qualities. Experiments in the electronic "blanching" of fruit and berries are planned during the next growing season.

• **At the Crossroads**—Whatever the technique he employs, the food freezer who has supplied his market with a diversified line of products is approaching a crossroads. He must decide whether to follow the trend toward specialization, particularly noticeable among newcomers.

While the industry was still struggling for consumer acceptance and building its distribution lines, diversification of product was practically an economic necessity. A packer had to supply a full line because wholesalers would not peddle his one product to the retail trade if, in the same approach, they could offer another company's full line.

But wholesale distributors, with access now to the products of 300 to 400 packers, can provide their own diversification, filling out their line, for exam-

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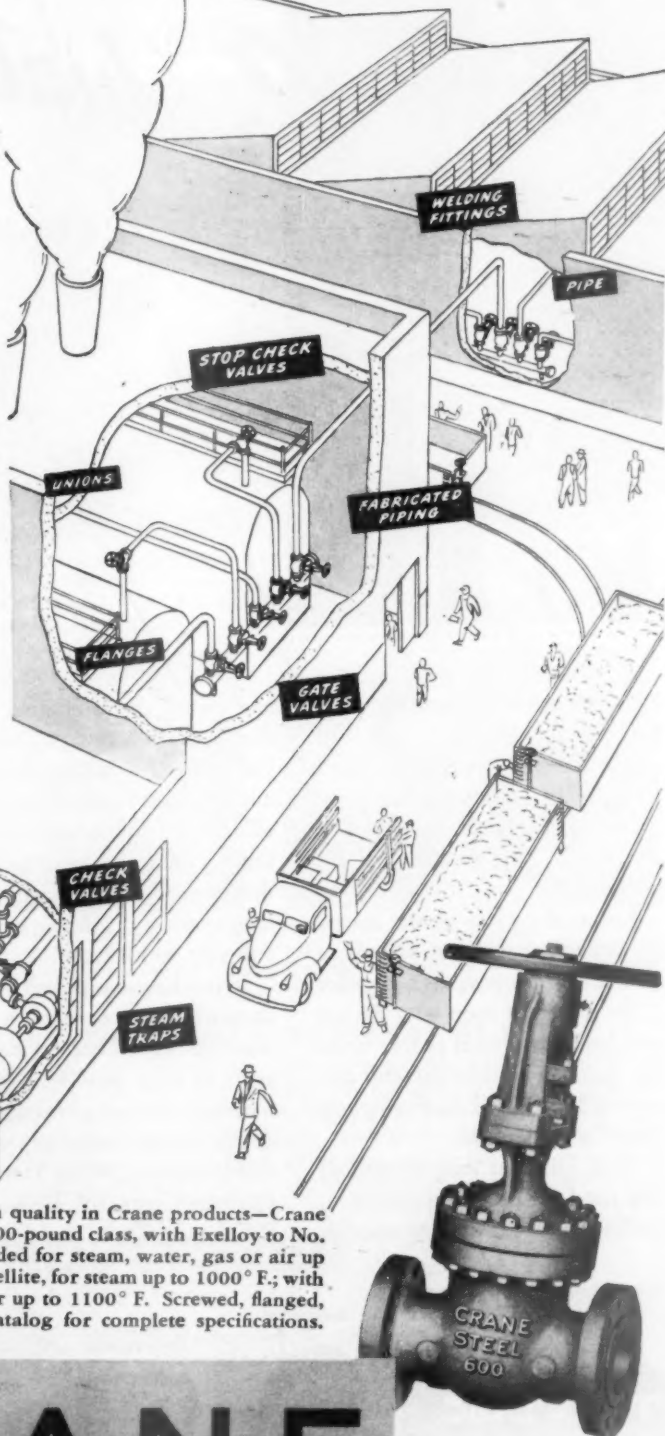
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SPECIALISTS IN INDUSTRIAL CLUTCHES SINCE 1918

ple, with the lima beans of one freezer, the strawberries of another, the peaches and peas of still another.

• **Mass Production**—The advantages to the specialist—such as a Michigan cherry packer or a Louisiana strawberry packer—lie in the economy inherent in mass production. He locates his plant in an area which grows his specialty in quality and abundance, and in an average growing year he has no trouble finding enough raw material to keep his production line moving.

The full-line freezer, such as a southern New Jersey fruit and vegetable packer, is usually in an area with a diversification of crops. Poor growing weather could drive him to the wall—for the season, at least—by curtailing supplies of all his raw materials and forcing him to buy the products of other packers in order to meet his commitments to his distributors.

• **Scattered Plants**—For large freezers like Birds Eye and a few others, diversification is still the answer, of course.

Birds Eye, which accounts for approximately 20% of the national pack and 40% of that sold at retail, has freezing plants and copackers scattered in all key agricultural regions. If peas produce a light crop in the Pacific Northwest next season, Birds Eye plants in other pea-growing areas can meet the deficiency.

II. WAREHOUSING

As inevitably as death and taxes, a pound of frozen food increases in cost $\frac{1}{4}$ ¢ a month from the moment it leaves the freezing room. A pound of peas offered in May for 25¢ must bring 26¢ in September, or somebody takes a loss.

That $\frac{1}{4}$ ¢ is the rule-of-thumb cost of keeping a pound of food for a month in an environment of low temperature (zero or lower).

Because of the rigid temperature control which must be exercised over a food after it has been frozen, warehousing is a far more vital factor in the distribution of frozen food than of any other processed food. A freezing plant must have its own warehouse adjoining or be near a commercial refrigerated warehouse big enough to handle its production volume.

• **Which Comes First?**—Among warehousemen there is a not unnatural feeling that the freezing plants ought to stay out of the cold storage business. Among the freezing plants, on the other hand, there is some resentment against the warehouse industry when it fails to provide new storage space for the products of new processors.

The issue is akin to the wrangle over the chicken and the egg. Warehousemen, as a rule, won't gamble new con-

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...ction unless they're sure of volume; processors can't guarantee volume until they're sure of a place to store the stuff. There, as often as not, the matter ends. The packer builds his own warehouse and lives a tortured life of trying to keep the storage space filled (for economy of operation) yet moving his products fast enough to prevent an accumulation of storage charges against him on his books. And the warehouseman hurls maledictions against the people who are muscling into his business.

Not at Right Places—Available information indicates that the aggregate of public warehouse space is great enough to accommodate much more frozen food than is being produced. But there is no doubt that the space is available in the right places.

Wartime expansion of refrigerated warehousing facilities was fairly general, and the major additions naturally were at points which best served the war effort, which are not necessarily those best for civilian distribution.

TRANSPORTATION

Since about half the country's frozen foods are processed on the West Coast, and 60% of consumption is in the northeastern section, transportation is a vital factor. Some frozen food moves by motor truck, but railroads carry the bulk of it. The industry's loudest gripe against railroads is that refrigerated cars do not provide constant low temperatures en route. This is chiefly on account of lightly insulated cars and infrequent re-icing.

Existing re-icing stations were spotted at intervals which assure refrigerator cars a temperature range from 40 F to 10 F—perfectly adequate for the fresh produce for which they were intended. Actually, temperatures are lower, but not low enough to allay packers' fears. Some frozen foods must be kept in temperatures of 10 F, or below.

Railroads are aware that the closer they can bring refrigerator car temperatures to zero the better their frozen food customers will like it, and hence have shown increasing interest in developing new facilities to create and maintain low temperatures.

Ceiling of Ice—Of the three kinds of rail cars now available for the movement of frozen foods, the industry seems to prefer the overhead bunker type with ceiling of ice and salt over the entire car. The other two types have bunkers at both ends, and one of them circulates the air in the car by two fans powered by a belt drive from the car axles.

In a recent transcontinental test sponsored by the Bureau of Plant Industry, fan cars were found to maintain temperature of 18 F, compared with

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12 F in heavily insulated cars without fans (BW—Sep. 8 '45, p92).

• **Steamships, Too**—An experimental refrigerator car, developed cooperatively by the Illinois Central and other railroads, has a steel framework and aluminum alloy superstructure (BW—Aug. 18 '45, p42). Its sponsors hope it will lick the problem of higher upkeep incurred on all aluminum cars.

Packers look to steamship companies to open up export lanes for frozen foods. A Swedish company, the Johnson Line, has contracted for six reefer ships—one of which is already in operation—each with a total capacity of ten rail cars in its freezing storage holds. If appropriate steamers become available, foreign trade can work both ways. Mexican strawberries, coconut, and pineapple have been well received during wartime in this country; other prospective steamer hauls are tropical fruits and fish, Australian rabbits, Swedish blueberries.

IV. NEW PRODUCTS

Frozen food processors have been in a comfortable position throughout their relatively brief career: The market for their product has been lively enough to assure adequate sales volume in the items easiest to freeze—fresh fruits and vegetables—and the demand became even sharper during the war. By that time research into the wider possibilities of the freezing process was well under way. Some of the resultant products are already on the market:

In Oak Park, Ill., American Frigid Dough, Inc. (formerly Frigid Dough Products Co.), has stirred up a lively trade among Chicago area housewives whom baking is either an impossibility or a drudge (BW—Apr. 28 '45, p107). They readily pay as much for frozen ready-to-bake rolls, pies, cakes, cookies and cream puffs as for the baked version of the same products. The company is now licensing noncompeting bakers to use its process and its trademark, Frigid Dough. There are a few other firms which are engaged in local distribution of frozen pastry.

• **Frozen Dessert**—Prominent in the search for new freezer products is the Western Regional Research Laboratory of the U. S. Dept. of Agriculture at Albany, Calif. One of the discoveries of Dr. D. Glenn Sorber and his associates there is Velva frozen fruit dessert, introduced last year in 16 southern cities by Southern Dairies, Inc., an affiliate of National Dairy Products Corp.

Velva is made from a purée of frozen fruit, berries or melons, and was frankly conceived as a wartime substitute for ice cream to conserve milk solids and butterfat. Although it made a hit with consumers, it was withdrawn from the market because costs of frozen fruit and berries, which are converted into the principal ingredient, were excessive.

Albany researchers have not written off their experiment as a loss, however. When frozen fruit is available in sufficient quantity to squeeze the price, Velva Fruit stands a chance of a comeback.



Velva frozen fruit, withdrawn from the market because of high wartime costs, may make a peacetime bid when fruit is cheaper. The beaker of fruit purée plus gelatin and sugar, makes enough dessert to fill 13 paper cartons.

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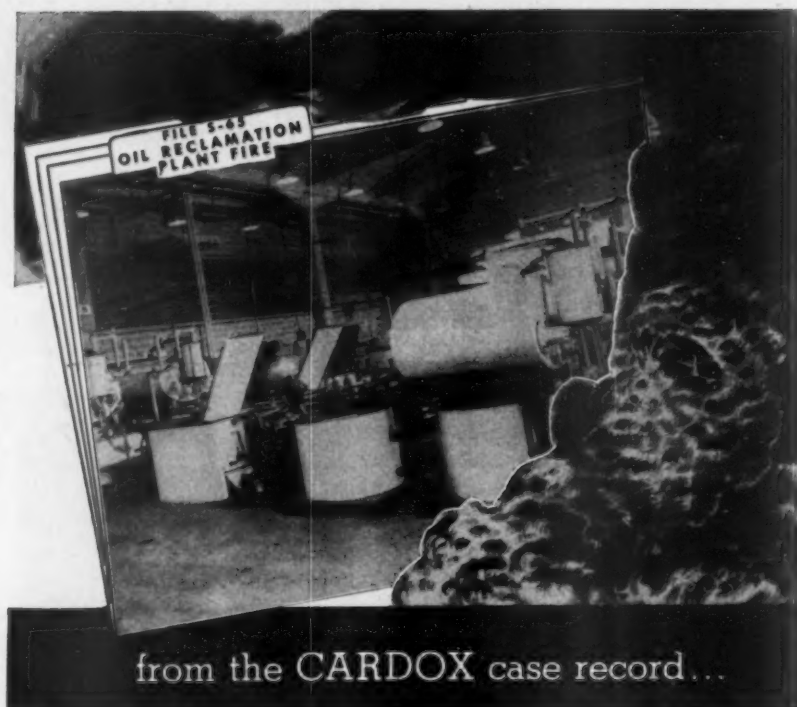


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File No. S-65, covering an investigator's report on Cardox extinguishment of an oil reclamation plant fire, offers an interesting example of Cardox protection by total flooding... one of the many types of protection made most effective by Cardox methods of controlling and applying carbon dioxide:

"Officials of the company were highly pleased with the speed and effectiveness of the Cardox System in extinguishing a fire in the company's big Oil Reclamation Room—one of nine rooms and a long pipe tunnel protected by this Cardox System.

"The fire was caused by the overheating of a refining unit, causing the oil to boil over. This oil, which has a 450° F. flash point, was estimated to be at 550° F. when it boiled over. It immediately burst into flame, creating a large, hot fire.

"However, the thermostat immediately actuated the Cardox System. Approximately 5½ tons of Cardox CO₂ were

released... instantly extinguishing the fire, and totally flooding the room with carbon dioxide. The only evidence of the fire was the paint burned off the refining unit in which the blaze originated. Normal operations were resumed in less than one hour."

The danger spots in your plant may not be similar to the one described in File S-65. But, if they involve flammable liquids, electrical equipment or hazardous manufacturing operations, Cardox offers a new scope of protection you should investigate. By increasing the performance effectiveness of carbon dioxide... by making it practicably available in a single system for use in tons for large fires or pounds for small ones, with ample reserve for new emergencies... Cardox has set new high standards of protection for many of the most severe hazards in American Industry.

An analysis of your fire hazards by Cardox Research Division and Engineering Staff puts you under no obligation. Write for Bulletin 1026.

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back on the grounds of its palatability.

• **Use for Substandard Fruit**—In addition, the experiments on Velva Fruit, as on frozen jelly, another product of the Albany laboratory, demonstrated to freezers and to growers that here was an outlet for standard and substandard fruit, the stepchildren of vine and orchard. Freezers, conscious that their product must have eye appeal, demand fancy grade fruit (although they don't always get it). But if the fruit is to be turned into puree, the blemishes and other characteristics of the lower grades which are still wholesome and nutritious will be lost in the process.

Precooked frozen foods have been a temptation to many processors, but few have been satisfactory. A fundamental weakness is lack of trained technologists—skilled personnel who know what to do when the flavor of the defrosted chicken a la king is off key. Nor have processors always heeded the self-evident fact that cooked food must be top quality when it is frozen if it is to be top quality when defrosted.

• **For Airline Use**—A bold bidder for recognition in the field of precooked frozen food is Maxson Food Systems, Inc., recently organized subsidiary of W. L. Maxson Corp. (BW—Jan. 5 '46, p32). Since last April it has been supplying its "Skyplate" to the Naval Air Transport Service. A Skyplate usually includes meat and two vegetables, partially precooked.

In the retail field, however, the company is up against the same obstacle that has restricted the popularity of frozen chicken and turkey: The "package" is too cumbersome for efficient storage.

Maxson is well aware of its limitations; in the past few years the parent corporation has spent somewhere upwards of \$3 million in research and plant



Maxson's Skyplates line up for their quota: meat, two vegetables which are all partially cooked, then frozen. Maxson's special oven defrosts, finishes the cooking, in 15 minutes.

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THIS huge earth mover, known as a walking dragline, operating in a coal strip-mine, scoops up 6 tons of earth at every swing, each 50 to 60 seconds, day in and day out. Its efficiency---in fact, its ability to perform continuously month after month, year upon year---depends largely on a few strands of wire rope. *This is one of the toughest jobs which wire rope is called upon to perform.*

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from which this cable is made must be tough and strong---must resist abrasion---must be uniform in gauge and possess flexibility and other positive characteristics. These are the salient reasons why these cables are made from Youngstown's Yolectro High Carbon Rope Wire.

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improvements. The Skyplate's retail price—expected to range from 70¢ to \$1—may restrict its distribution to high income families.

V. DISTRIBUTION

While the frozen food industry has by no means licked all its production problems, that aspect of the business is in good shape compared with the primitive stage of its marketing. Major bottleneck to frozen food distribution is the lack of low-temperature (zero or lower) storage cabinets for the institutional and retail trade. Production on such cabinets was stymied during the war.

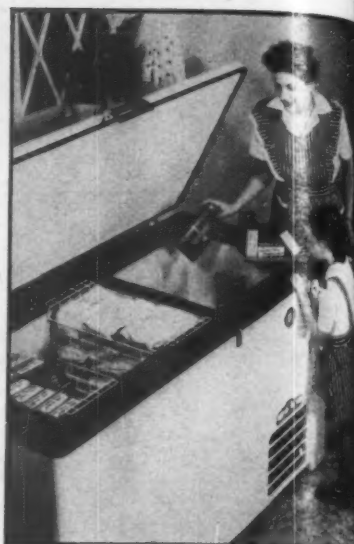
In a survey of the industry last spring, Food Industries, a McGraw-Hill publication, estimated that only about 35,000 retail outlets in the United States have frozen food cabinets—a thin distribution considering that there are 10,000 supermarkets, 32,000 chain stores, and probably 350,000 independent retail grocers. In California, some wholesale distributors of frozen foods, who have much to gain from increasing the handling capacity of retail stores, have made a cozy sideline of taking orders—and \$50 deposits—for cabinets as agents for manufacturers. Some, too, have refunded deposits when deliveries were stalled.

• **Cabinets on the Way**—It is clear, however, that the shortage of storage cabinets won't be permitted to obstruct sales expansion very long. Probably 100 or more firms have announced intentions of manufacturing cabinets. A few cabinets are already coming from some of the larger factories.

To eliminate the necessity of daily delivery, both retail and institutional buyers need something larger than the cabinets they have had. In Los Angeles several supermarkets are providing a convenient and adequate supply by installing their own walk-in storage cabinets—a below zero "room" not unlike the storage room of a meat market. It will hold several days' supply from which the dispensing cabinet can be replenished.

• **New Pattern**—When the dam breaks and storage cabinets flood the market, it is highly probable that new packers will enter the field. It is generally assumed that such dominant figures in the food business as Libby, McNeill & Libby, California Packing Corp. (Del Monte brand), and Standard Brands, Inc. (which for several years has sold the institutional market), are only waiting out the cabinet shortage before taking the plunge into retail distribution of frozen foods.

One sure thing is that such companies will not follow the plan which



Among the first to name delivery dates and prices on new home freezers is Sears, Roebuck & Co. Four Cold spot freezers are listed in its spring and summer catalog for delivery after Feb. 15. Mail-order price for the 12 cu.-ft. size is \$232—lower than that of most models offered to date.

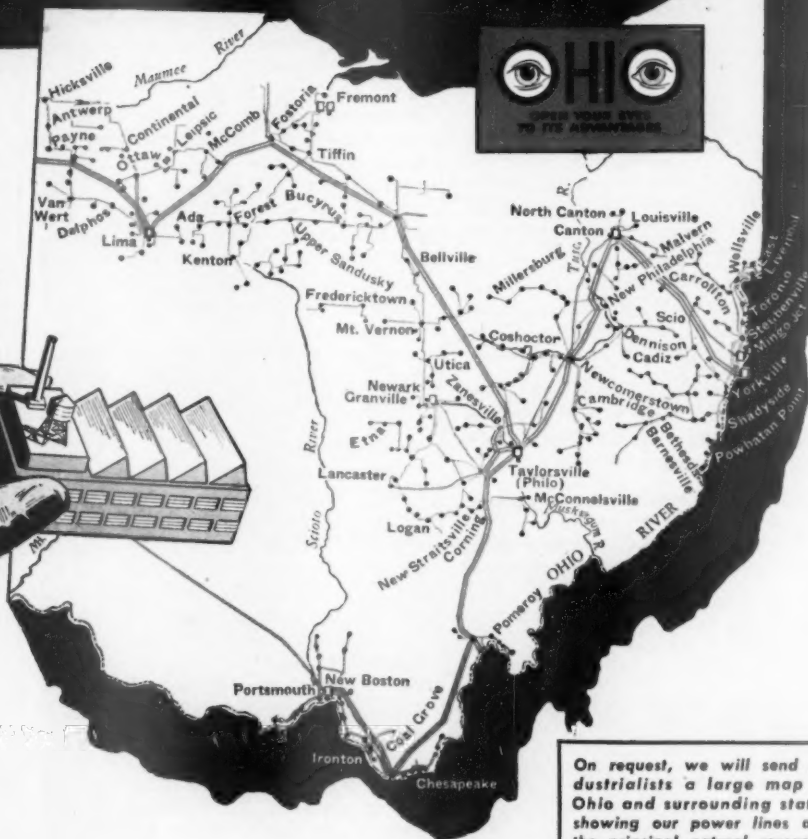
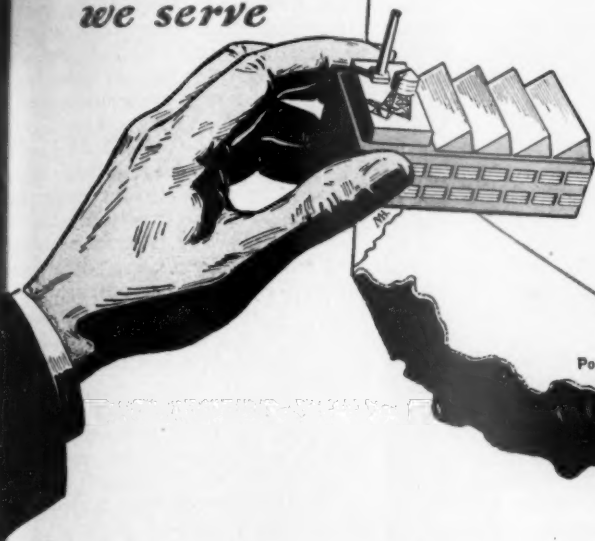
Birds Eye, in the early days of frozen food distribution, was obliged to imitate, but subsequently abandoned: leasing store cabinets to retailers for exclusive stocking of its own products. Birds Eye found that as more frozen foods came on the market, wholesalers, retailers, and consumers became increasingly selective, as to both price and quality, and it was impossible to influence their brand preference on any other basis. Dealers prefer to own their own equipment in which they can stock any brand they choose.

Home freezers for storage are hardly less important than store and institutional cabinets to the distribution of frozen foods. Dozens of new home cabinets have been announced in the past year, by both newcomers and oldsters in the refrigeration business, and a few have actually reached consumers. Most of them are the now-familiar chest or reach-in type; a few are uprights similar to the conventional-type refrigerators.

• **Cost Question**—Retail prices announced so far have shown great variation between apparently competitive models, and it is probably significant that the big companies whose well-established sales organizations will give them an edge in this market so far have been mum about prices. Rising prices on raw material, and labor's agitation for higher wages, make their costs

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plenty of manpower with the native know-how typical of sound Ohioans, easy to train, cooperative with the spirit engendered by pleasant living conditions; transportation of every type — air, railroad, river and main highways.

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too uncertain. An exception is Sears, Roebuck & Co. which has announced four models at prices lower than most others so far.

Electrical Merchandising, a McGraw-Hill publication, estimates the 1946 market at around 500,000 home freezers. Most of these are expected to be sold in suburban areas, but the demand for larger models will come from farm families. Much of the urban housewives' storage need may be taken care of by frozen food compartments in some of the new refrigerator models (BW—Dec. 15 '45, p48).

Some in the industry feel that this market requires only a small storage unit, in which freezing is possible but incidental. One of these is Frozen Food Products, Inc., a distributing company organized last year by investment interests close to Lehman Bros.—the same group which subsequently created Frozen Food Foundation, a nonprofit research corporation supported by department stores (BW—Dec. 1 '45, p88). Aviation Corp. will supply a 3-cu. ft. home storage cabinet for frozen foods exclusively to Frozen Food Products, which will distribute it to foundation members, among others (BW—Jan. 19 '46, p22). This week, incidentally, Avco cinched the deal by acquiring a 40% interest in Frozen Food Products.

• **Another Sales Outlet**—Locker plants, which provide their patrons with storage space for commercially frozen foods as well as for home-processed foods, also function as retailers; one estimate is that 75% of the 6,000 locker plants now in operation plan to stock commercially frozen foods. (Many of them are also talking of selling home freezers, incidentally.) An urban variation of the frozen food locker plant is the experimental installation of lockers in apartment houses for rental by tenants (BW—Oct. 13 '45, p99).

• **Chains Are Wary**—Once the storage cabinet bottleneck has been smashed, frozen food will find its own distribution level. So far, like any other new product, it has found most favor in better-than-average income areas.

This is one reason why the big corporate chain stores, whose business is built on the principle of selling the mostest the fastest, have not put any noticeable emphasis on frozen foods, although individual chain units do sell them, according to local demand. Another reason is the chains' greater interest in the very profitable field of fresh produce.

Nevertheless, chains are watching the frozen food industry. Kroger officials admit that they are studying its possibilities and by next summer may have chosen the type of retail cabinet best suited to their operation—a decision of

no mean importance considering the variety of cabinets dreamed-up so far and their tremendous variation in price.

• **Experiment With Fish**—A. & P. is doing a good deal of experimenting with frozen foods, but mostly in connection with its manufacturing operations (baked goods, jams, jellies, etc.). Its officials say that ice cream pies and similar confections may appear in A. & P. stores sooner than other frozen foods.

Within the past year new specialty stores selling frozen foods exclusively (BW—Jun. 16 '45, p68) have sprung up like dandelions in spring. This is in spite of the current difficulty of wooing frozen foods away from packers, many of whom are more interested in building up their own lines than in taking on new customers. Another type of distribution—house-to-house selling from refrigerated trucks—dates back at least to 1939 (BW—Apr. 13 '40, p40), but is still hampered by the lack of home storage cabinets. Some companies plan to rectify this by selling cabinets as well as frozen foods (BW—Dec. 8 '45, p94).

• **Promotion Coming**—Once cabinets and frozen foods become more plentiful, the industry is expected to undertake an unprecedented program of advertising and merchandising. So far small processors have been content to take free ride on Birds Eye's national advertising, or to peddle their output to the institutional field where little promotion was necessary.

Now, with the prospect that big advertisers in food merchandising will jump into frozen food competition, some of the smaller freezers are considering expansion of their regional advertising into a national splash.



Designed for apartment houses, the "Cliff Dwellers" locker with five separate compartments was recently shown in Chicago by Air Comfort Corp.

Margarine Taxes

Soybean growers promise aid oleo manufacturers in their campaign for the current to rescind federal excises.

Margarine manufacturers' chances of eventually repealing federal taxes on their product appeared brighter this week when they obtained the official report of soybean farmers.

The American Soybean Assn. announced that it will back H. R. 579, current bill to repeal all federal margarine taxes, provided it is amended to apply only to margarine made of domestic fats. (The bill is now before House Committee on Agriculture, whose hands many of its predecessors died quietly.)

No Foreign Oils—That stand had already been indorsed by the National Assn. of Margarine Manufacturers in Chicago last week. It is more than acceptable because the industry has used foreign oils for the past five or six years. Furthermore, N.A.M.M., which includes the entire industry except Best Foods, Inc., and Cudahy Packing Co., recognizes that there is a limit to the amount of taxes its members can buck and still hold any substantial part of their war-gained market. Some states—as, for example—impose special taxes on margarine containing foreign oils.

About 95% of the oils now used in margarine are pressed from cottonseed and soybeans in a 60-40 ratio (the other includes animal fats, corn oil, sunflower seed oil, and peanut oil). But soybean farmers have a bigger stake in the margarine market than cotton growers because oil is the No. 1 end-product of their crop while cottonseed oil is second to cotton fiber. The possibility of a postwar surplus of their expanded crop may have occurred to them. It is significant to the margarine industry that soybean farmers are concentrated in a handful of midwestern states which are also dairying states, and which have heretofore supported the dairy industry's efforts to retain present state and federal margarine taxes.

More Vitamin A—The industry is looking on another front to strengthen its hold on the present market. About 75% of the industry has followed Best Foods' lead in upping the vitamin A content of margarine from the former 100 international units per pound to 2000 i. u. (BW—Jul. 21 '45, p63), to match the year-round average vitamin A content of butter. Best guess as to why processors haven't fallen in line is that some can't afford to aggravate their



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present squeeze between price ceilings and increased costs.

Meanwhile, sales are booming. Production of colored and uncolored margarine in the fiscal year 1944-45 totaled nearly 613 million lb., compared with about 345 million in 1940-41. Producers mourn that they could sell twice their present output if they could get the oil to make it.

Family Farms Only

Cheered by Supreme Court ruling, Farmers Union foes of corporate ownership of lands ask state-by-state action.

The program of the National Farmers Union for state-by-state extension of restrictions on ownership of farms by corporations was advanced a step Jan. 16, when the Oklahoma Farmers Union convention demanded an act based on a similar North Dakota measure (BW—Nov. 20'43, p34) which was recently upheld by the U. S. Supreme Court.

• **Angry Protest**—The North Dakota act, passed in 1932 by popular vote, was an outgrowth of farmers' rage at the wholesale dispossessions of the early thirties. Its purpose, according to James G. Patton, president of the National Farmers Union, was to restore

"healthy personal ownership of family-type farms."

Exemptions from the North Dakota law were granted only to land sale companies and to cooperative corporations 75% of whose members are themselves farmers. All other corporate bodies were given a ten-year grace period in which to get rid of farm holdings acquired before the date of the act, with counties empowered to seize by escheat the farm properties of noncomplying corporations. Seized farms were to be sold and the proceeds, less expenses, given to the corporations.

• **Repeal Opposed**—In 1933 the act was amended to provide that corporations might continue to own farms acquired in any manner after the date of the act, but this left thousands of holdings still subject to the original provisions. Just before the expiration of the ten-year grace period, the North Dakota legislature was all set to repeal the act, but decided not to when 5,000 angry farmers marched into Bismarck.

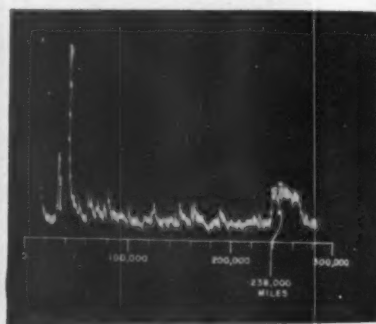
Asbury Hospital of Minnesota, owner of farm lands in Cass County, N. D., asked the North Dakota Supreme Court to enjoin operation of the law, but lost its case. An appeal then went to the U. S. Supreme Court.

• **State Upheld**—In an opinion written by Chief Justice Harlan F. Stone, the court held that the state had power to enact the ban on corporate holdings. But it reserved decisions on two points

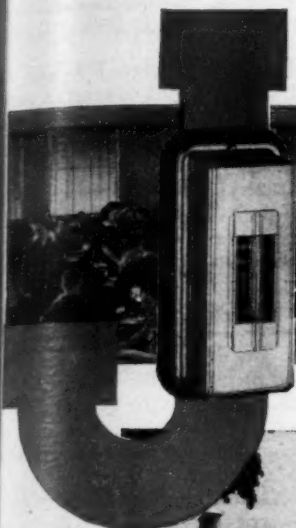


SIGNAL EVENT

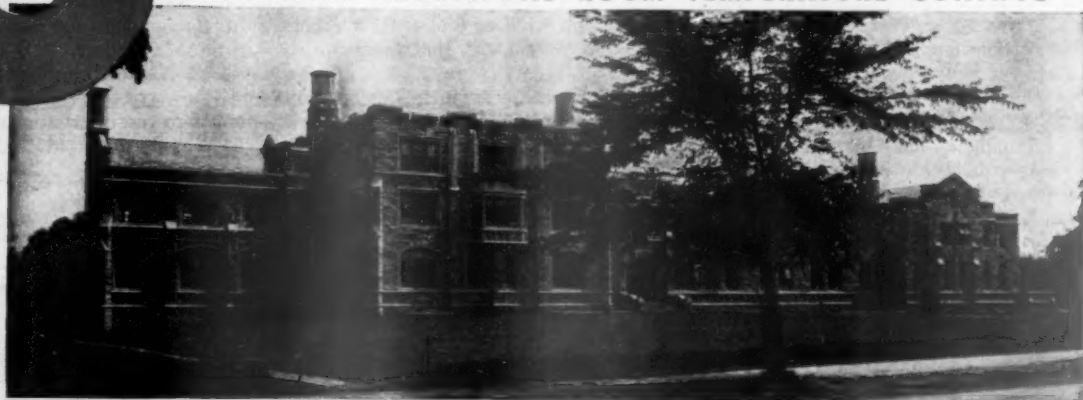
Little except the atomic bomb has caused more excited speculation than the Army's contact with the moon by radar. Beamed from an antenna (left) at Belmar, N. J., high-frequency signals made the 450,000-mi. round trip in about 2.4 seconds. The proceed-



ings were recorded on an oscilloscope graph (right). Sunday supplement writers placed earthlings practically on the threshold of interplanetary travel. International Telephone & Telegraph reported it had been researching since 1940 with the idea of using the moon as a reflector for high-frequency waves in overseas phone communications. Definitely useful to the science of communications, the Army's feat may lead to better detection of high altitude rocket bombs. Meanwhile, the British report they're reaching with radar for the sun.



ANOTHER EXAMPLE OF
JOHNSON INDIVIDUAL ROOM TEMPERATURE CONTROL



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whether the escheat or sale method might result in deprivation of property without due process of law, if the corporation lost money by the sale; and the effect of the amendment permitting corporate ownership of farms acquired after date of the act.

The court said that as no escheat had occurred, it could not render an opinion on the first of these two points, and that the lower court had not ruled on the amendment. Decision was unanimous, with Justice Hugo L. Black protesting that the case should not have been considered, as presenting no federal question.

• **No Violations**—The ruling attracted little attention even in North Dakota, where the attorney general's office says that corporations are ridding themselves of affected properties as fast as possible. No county has found it necessary to seize a corporation-owned farm.

National Farmers Union, at its forthcoming convention in Topeka, Kan., is expected to recommend to all state branches that they seek enactment of similar measures.

Insurance Aim

U. S. companies want to do more business in Latin America and are quietly campaigning for relaxation of restrictions.

State Dept. negotiators seeking to beat down international barriers to United States commerce in trade talks this spring will be getting gentle nudges from American insurance companies with future plans for more extensive foreign operations.

Insurance men would like a little more of the kind of diplomatic support from the State Dept. that their British competitors got from their Foreign Office to gain the advantageous position they hold throughout the world today. But more than that, they want relaxation of some of the many restrictions on foreign insurance companies along with a lowering of tariffs, quotas, and other clearly discriminatory legislation

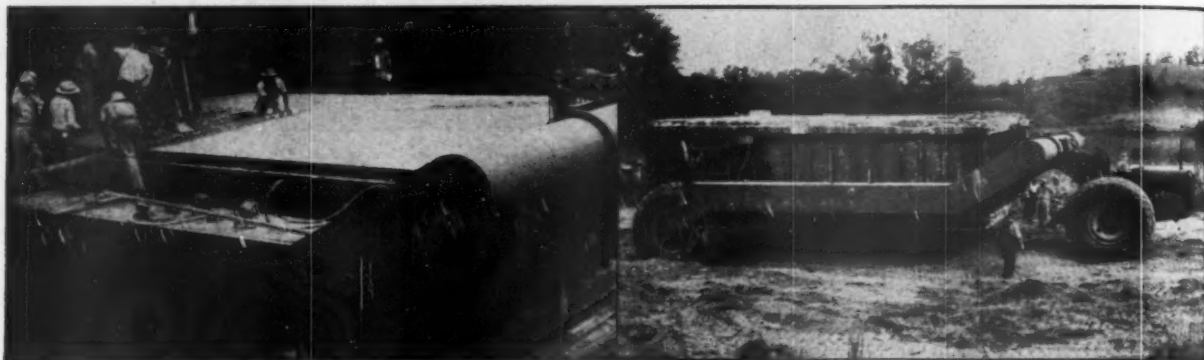
constituting a barrier to trade and commerce.

• **To Take the Plunge**—But without such aid and comfort, a number of American firms are quietly planning to enter Latin American countries—where new foreign firms are not expressly barred. Although U. S. and British firms pulled out of Mexico in a hurry in 1936 (BW—Mar. 21 '36, p. 47) after a law made the going too rough for them, the tacit boycott is about to be broken because there is a healthy market beckoning.

There are signs that U. S. firms experienced in foreign business will meet stringent regulations to get into other countries, and that some newcomers to the foreign field are surveying markets in the hemisphere.

The National Foreign Trade Council—stalwart backer of U. S. business interests in the international field—has already made representations to the State Dept. on behalf of U. S. insurance companies.

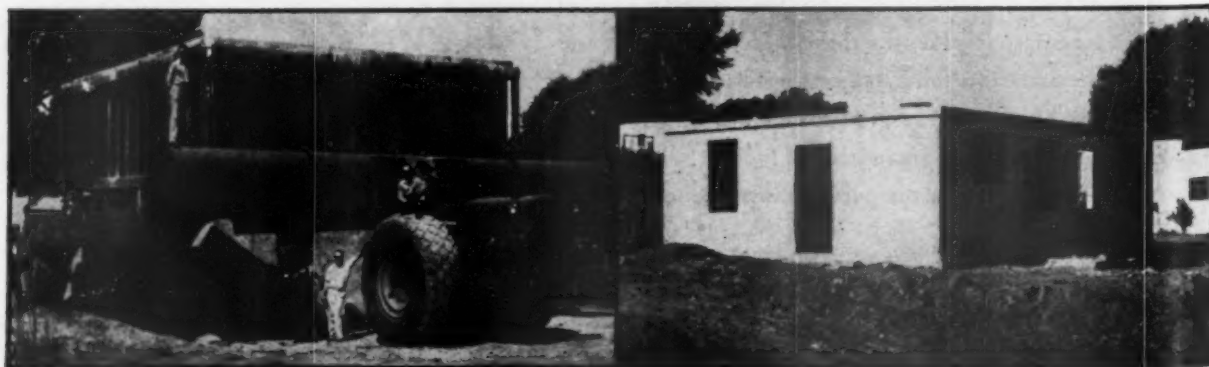
• **Hemisphere Conference**—On the side, insurance firms are driven by two new



IT MAKES, TAKES, LAYS HOUSES

The hen is utterly outclassed by the Tournalayer—a fabulous machine that lays houses. Built experimentally by R. G. Le Tourneau Inc., the behemoth is putting four-room workers' bungalows around the company's new Vicksburg (Miss.) plant. Fitted with collapsible inside forms, the machine receives a charge of concrete at the

mixer where the roof is smoothed by hand (above, left). When the mixture hardens, the inside forms are removed and the Tournalayer trundles its load (above, right) to the homesite. A button is pushed and out slides the house (below, left) on a prepared foundation; the machine lifts clear its outside form. The concrete "egg" (below, right) measures 30 ft. long, 24 ft. wide, and 9½ ft. high; the "hen" is 47 ft. long, more than 34 ft. wide.



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In 1916 the Hearst Newspapers got Congress to pass a law—later set aside by the courts—barring child labor.

In 1922 the Hearst Newspapers fought for a "living wage" for the nation's railroad workers.

In 1932 before the New Deal, the Hearst Newspapers urged work relief as a temporary cure for unemployment.

In 1937 the Hearst Newspapers asked for more recreation facilities for children, stating that juvenile delinquency results from community carelessness.

In 1945 the Hearst Newspapers lauded labor's amazing record while at the same time deploring the Communist-led strikes of a tiny minority.



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In 1870, before the introduction of labor-saving, time-saving, modern equipment, excavation work was tedious and slow.

A modern jack-hammer crew gets things done in a hurry with Thermoid Air Hose.



YOUR business may never use air hose. Nevertheless, it should interest you to know that Thermoid has developed air hose that stands up better against heat and oil...to pulsating pressure...to cuts and bruises...to the abrasion of being dragged over jagged rocks.

Thermoid's leadership in producing superior air hose is typical of Thermoid's leadership since 1880, in the design and manufacture of *all kinds* of hose and belting for power transmission and materials handling. Consultation with a Thermoid representative may develop ways to help you improve processes and reduce costs. *It's good business to do business with Thermoid.*

THE THERMOID LINE INCLUDES: Transmission Belting • F. H. P. and Multiple V-Belts and Drives • Conveyor Belting • Elevator Belting • Wrapped and Molded Hose • Sheet Packings • Industrial Brake Linings and Friction Products • Molded Hard Rubber and Plastic Products.

Thermoid Rubber

DIVISION OF THERMOID COMPANY

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incentives: (1) stiffer British competition, as London insurers seek to recapture and expand their foreign business in order to contribute a larger share of foreign exchange to the national kitty; and (2) green pastures growing out of expanding insurance needs which are the natural accompaniment of expanding trade and industrialization throughout the world.

One happy symptom of increased U. S. interest is the pending hemisphere insurance conference, sponsored by the United States Chamber of Commerce, scheduled for New York in mid-May. Executives of Latin American insurance companies will have a three-day goodwill gathering—during which as few as possible of the many troublesome problems and antagonisms, which will be on the minds of all present, will be mentioned.

• **Result of Nationalism**—Most of the difficulties encountered by foreign insurance firms in Latin America stem from growing nationalism, which resulted during the last few decades in one country after another barring entry of new companies, setting up national insurance monopolies, creating reinsurance institutions, and tightening up regulations to keep insurance business at home.

The effect of freezing the number of foreign firms, although not demonstrably discriminatory, did, nevertheless, serve to solidify the position of British and other European companies whose foreign operations were well advanced by the time American firms entered the field.

• **Some Doors Still Open**—A quick survey of the hemisphere scene reveals the varied conditions and regulations which are confronting foreign operators in Latin American countries:

Argentina—The door is still open to a healthy, inviting market despite threats of establishing a national reinsurance bank—an action which was opposed, incidentally, by both the domestic and the foreign companies. Here the premium tax favors domestic business (7% for foreign companies, 1.4% for local firms) and a healthy penalty tax or fine is designed to inhibit the placing of insurance abroad with unregistered companies.

Brazil—The national reinsurance bank (I.R.B.)—a creature of the Vargas regime—is as likely to dissolve itself as any bureaucratic institution, although optimists hope that President Dutra can be prevailed upon to liquidate the institute. The chief complaint against Brazil has been the freeze-out of new foreign entries, accompanying the I.R.B. setup, and the increasingly difficult regulations being laid down by the I.R.B. for foreign firms in Brazil. There has also

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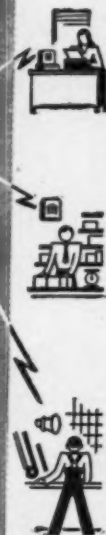
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been a tendency to dump bad risks on foreign firms, and to retrocede risks foreign companies may not be empowered to carry by their corporate setup.

Chile—A reinsurance monopoly there has barred the entry of new foreign firms, and compels reinsurance by domestic companies with other domestic companies or with the reinsurance bank (which may, in turn, reinsure with admitted foreign companies, however).

Mexico—The 1935 law was tough. Foreign firms objected to compulsory investment of deposits and reserves in land, mortgages, and other securities of questionable safety, and to forced reinsurance with Mexican companies. After ten years on the outside looking in, American companies are about to reenter Mexico, on Mexico's terms.

Peru—In this strongly nationalistic country the insurance field is jealously "dominated" by local interests—with the exception of one Argentine company and a part-British Peruvian firm. Foreign companies are not barred, but restrictions are onerous and on at least one occasion have been altered to prevent entry of a U. S. firm.

Ecuador—A move is under way to

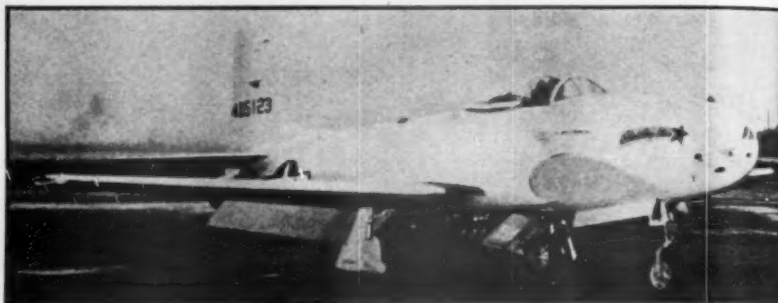
tighten its laws with a view to strengthening the position of domestic firms.

Bolivia—This small market, with a few domestic companies, is considering raising deposit requirements.

Elsewhere in Latin America, particularly in the Caribbean area, the position of foreign insurance companies is more favorable—although everywhere the economic development of the republic is accompanied by a nationalistic resurgence which tends to favor domestic companies over their foreign rivals.

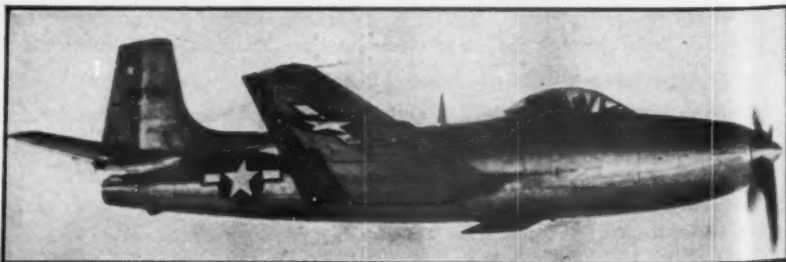
• **No Bluster Now**—American efforts to encourage relaxation of restrictions today have none of the bluster and threat of big-stick diplomacy, although some Latin American business circles would like to revive that impression. Suggestions now being made, however, are velveted by the realization that reciprocal regulations (sometimes suggested by hemisphere countries) would place outrageous obstacles to foreign operation of U. S. firms.

Many an American state insurance law has tougher restrictions on outsiders than Latin American laws. U. S. insurance companies insist that revisions both here and abroad would be constructive.



SHRINKING SPACE FOR TOMORROW'S TRAVELERS

With two companion ships a few minutes behind, a jet-propelled Lockheed P-80 sits down on New York's La Guardia Field after hanging up a new transcontinental flight record—four hours, 18 min., 26 sec. Average speed was 584 m.p.h., with actual speeds as high as 660 m.p.h. Manhattan observers missed the plane entirely when it swept in at 615 m.p.h., then circled for a landing. Newcomer in the "500-m.p.h. class" is Consolidated Vultee's XP-81 (below), which uses a General Electric Propjet gas turbine to drive a nose propeller, has a G.E. jet engine in the tail. Of definite interest to commercial plane designers, the kerosene-fueled combination produces virtually as much power as all four engines on a B-29 bomber, Consolidated Vultee claims.



Seasickness Drug

V-12, produced to reduce motion sickness among troops in amphibious operations, will aid civilian travelers.

Not least among the enemies confronted by American troops when they stormed the beaches of Sicily and Salerno was seasickness. Incidence in some commands ran as high as 100%. How the Army and Navy, facing amphibious warfare in two theaters, aimed the tables on this enemy is coming to light with the lifting of the security mantle from some phases of the medical war against motion sickness.

Big Hangover—To the Committee on Medical Research of the Office of Scientific Research & Development went the problem: How can we preserve both the morale and physical efficiency of combat troops in ship-to-shore operations by preventing seasickness without causing hangovers?

Prevention of the hangover induced by the drugs best suited to prevention of seasickness was a must. There was no gain in landing an assault wave without sickness if the men were so dazed by drugs that they couldn't fight for the beachhead. Troops hitting the beaches had to be prepared for a grind of as much as 100 hours without sleep.

Caltech Researches—U. S. field work on the problem, attacked simultaneously by American, British, Canadian, and Australian scientists, was done by a staff from the California Institute of Technology under the direction of Dr. David Tyler, who also collated the findings of all the researchers.

At an undisclosed training base off the U. S. Pacific Coast, 20,000 men were selected at random from the 100,000 or more then heading into the Pacific theater. A series of 90 controlled-mass experiments was conducted among these men during six months it took to find the answer.

Not Psychological—The scientists first had to determine whether seasickness, as generally supposed, psychological in origin. Dummy pills—placebos in medical parlance—were administered to men whose degree of susceptibility to seasickness had been predetermined. The incidence of seasickness among them varied by less than 1% from the rate which was recorded when the men

had received no treatment of any kind.

Repetition of this and other tests led to the conclusion that the illness is of genuine physiological origin and is caused by the effect of motion (whether from ship, plane, auto, streetcar, train, or swing) on the mechanism of the ear.

• **Balanced Capsule**—The prophylactic which proved most effective was a capsule containing carefully balanced quantities of a barbiturate and a belladonna derivative—enough to act as a preventive against seasickness, but not enough to leave a drag on the men.

This combination reduced the incidence of seasickness among landing parties by 40% to 80%, and where it did not prevent sickness it was found to reduce the severity considerably.

• **Better Marksmanship**—The medication had the additional merit of increasing slightly the efficiency of the men after they had hit the beach. Among several hundred soldiers who

submitted to the controlled tests, it was found that marksmanship, for example, improved 12%.

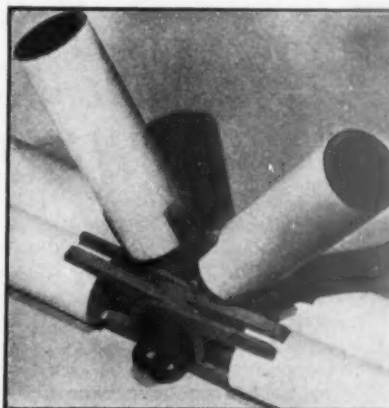
A second factor in reducing the incidence of seasickness in the amphibious forces involved changing the positions of the men in the landing craft. When the men were required to crouch for, say, 24 hours in the bottom of a boat, they were somewhat more susceptible to seasickness than when allowed to stand.

• **By Prescription Only**—When the formula and dosage of the OSRD medication are made available to the pharmaceutical trade, there is likely to be moderate demand for it among travelers. But because of the nature of its contents, it will be available only on prescription.

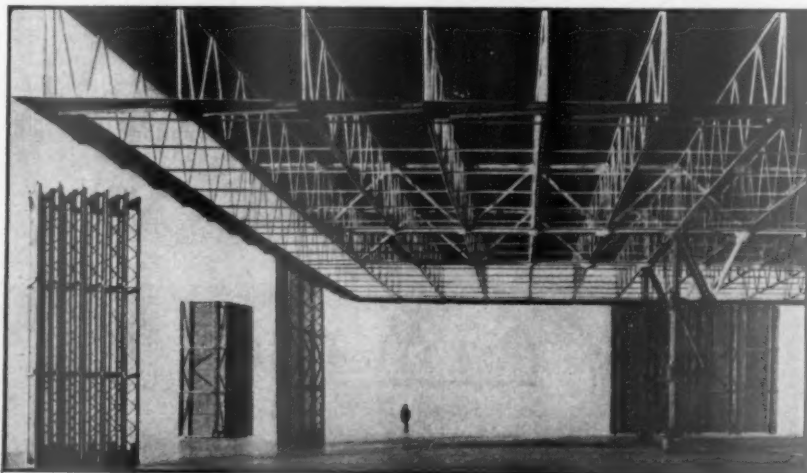
Seasickness remedies have been on the market since 1913 or earlier, and hyocine scopolamine was established years ago as the pharmacological basis of all preventives of this type, including Mothersills. While all of these have been more or less effective, they were unsuited in formula and dosage for combat troops because of their hang-

PINNED TOGETHER

Buildings that can be put together like a child's Erector set from standardized, shop-fabricated members are the invention of Konrad Wachsmann, prefabricated house designer (BW—Dec. 11 '43, p. 78). A model hangar of cantilever construction (below) with movable motor-operated exterior walls—another Wachsmann invention—will go on display Feb. 5 at New York's Museum of Modern Art. Structural members in Wachsmann's system are tubular sections with a pair of eyeplates at each end. These are



assembled by meshing the eyeplates, anchoring them with a pin (above).





Trying the old "Hidden File Play"?

A fair question, Worried Sir—if you're looking for an important record that surely was filed . . . but that stays as concealed as a locust larva waiting for the summer of 1957. What you need is a modern filing and finding system. Oh, yes, there are such—miraculous ones. And if you want to know about them, ask—

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over effect. Both the British and the Canadians added an ingredient to eliminate the hangover, but neither found anything as effective as the barbiturate designated V-12 and patented by OSRD.

Current preparations being offered to the medical profession are similar to the British and Canadian formulas.

New Hydraulics

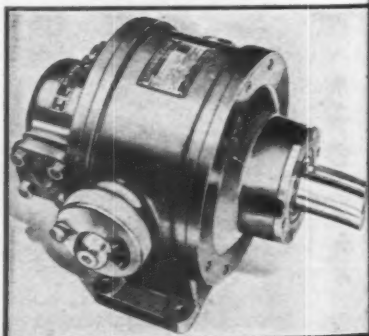
Application of 9-in. pump developing 5,000-lb. pressure to automobile and rail drives forecast by its manufacturer.

A new type hydraulic pump, said by its developers to provide twice as much pressure as heretofore possible with pumps of equivalent size, has been put into production by a division of Hydraulic Machinery Co., Detroit, which anticipates a bright and widened future for its brainchild.

• **May Invade New Fields**—A 40-hp pump only 9 in. in diameter produces 5,000 lb. per sq. in. pressure, delivered constant or variable. A new system of developing the pressure makes possible this performance, and is believed by company engineers to make feasible the use of hydraulics in many new fields.

Full hydraulic drives for automotive railroad, and marine use are envisioned. Detroit gossip, which always goes on a fulltime basis in the face of any new mechanical development, is that Ford Motor Co. is definitely interested in the innovation for possible passenger car use.

• **Radial-Type Plunger**—Applications in plastic manufacture are considered noteworthy, too. The new pumps are said



Measuring just 9 in. in diameter, Superdrdraulic Corp.'s new pump produces 5,000 lb. per sq. in. pressure, may find useful work in fields where hydraulic devices had previously been thought to be impractical.



This coating leads a "double life"



LOWER COST PER YEAR. Carey-clad goes on for the same labor cost as ordinary coatings, yet lasts 100% longer.



DRIES REASONABLY FIRM in 24 hours. Ordinary coatings take 2 days to 2 weeks.

Careyclad by actual test—delivers double the life of standard, high-grade roof coatings. Where other coatings "wear out" in 1 or 2 years, Carey-clad will provide dependable protection 3 to 5 years.

Careyclad is easily applied. It provides a tough, 1-piece asbestos fiber coating for the entire roof . . . fills pinholes, voids and porous spots. Good for metal roofs, too. Maintenance is sharply reduced.

Roof-saving suggestion: Ask your Mill Supply House about Carey-clad, or write—

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CAREYCLAD WON'T ALLIGATOR, "pinhole" or crack . . . won't slip or drip in summer or go brittle in winter.



COMES IN 1, 5, 28 and 52 gallon containers. Order from your Mill Supply House.

Careyclad • Industrial Insulations • Rock Wool Insulation • Asbestos Shingles and Siding • Asphalt Shingles and Roofings
Mill Supply House • Roof Coatings and Cements • Waterproofing Materials • Asphalt Tile Flooring • Pipeline Felt
Expansion Joint • Asbestos Wallboard and Sheathing • Corrugated Asbestos Roofing and Siding • Miami-Carey Bathroom Cabinets and Accessories

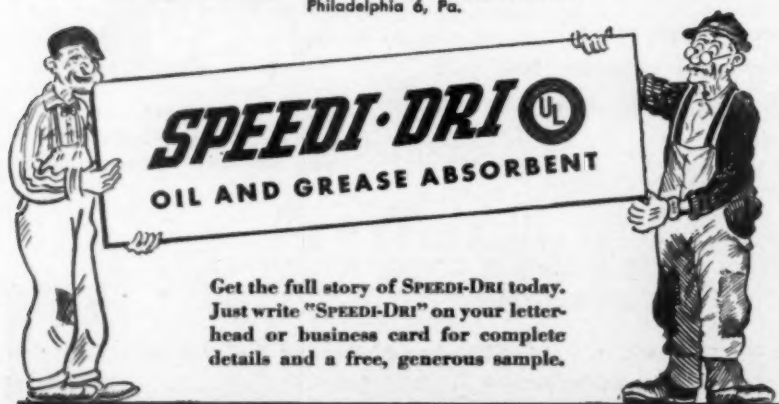
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SPEEDI-DRI . . . the granular, oil-thirsty absorbent . . . is the automatic, modern method of floor-maintenance. One man to spread it around over film-slick floors . . . the same man to sweep it up with an ordinary, stiff broom. It's that simple! The results? When SPEEDI-DRI is on the floors, you've got a magic carpet of safety underfoot . . . no slipping, no falling. And when SPEEDI-DRI is swept up, it takes with it dangerous, unsightly oil- and grease-deposits, making your floors home-clean.

Yes, SPEEDI-DRI is modern because it doesn't require trained personnel . . . or expensive machinery . . . for its use. It's modern because it points to economy, to safety, in any shop. SPEEDI-DRI reduces accidents caused by falling and slipping. It keeps machines going, by keeping men at work . . . in safety. It reduces fire-hazards, for SPEEDI-DRI will not readily burn, even when oil-soaked!

SUPPLIERS: East—Safety & Maintenance Co., Inc., New York 1, N. Y.
South, Midwest & West Coast—Waverly Petroleum Products Co.,
Philadelphia 6, Pa.



to improve materially extrusion and injection molding.

As for orthodox hydraulic press installations, the company notes that sired tonnage is generated without aid of large and expensive cylinder assemblies. Intensifiers and accumulators on such setups, costly and generally large, are eliminated in hydraulic circuits up to 5,000 lb. p.s.i.

The pump, manufactured by Superdraulic Corp., is a radial-plunger pump, with plunger rollers ranged inside an elliptical reaction ring. The plungers fit into cylinders in rotor. As the rotor turns, oil is passed in and out of the cylinders and plunger travel is regulated to the confines of the elliptical ring.

• **Pressure Neutralized**—In the variable pump installations, two sets of the plungers are arranged side by side. When the elliptical rings of both sets are parallel with each other, pressure is maximum. When one is moved 90 degrees phase, the pressure diminishes, until the point where the ellipses are at right angles to each other pressure is neutralized by the pressure strokes of one set of plungers equally balancing the suction strokes of the other.

Apple Essence

Juice, concentrated by flash method, yields aromatic flavoring useful in jellies, candy, and fountain drinks.

An avenue of expanding markets for apple growers and processors has been paved by experiments of chemical engineers, who have developed an essence which captures the aroma and flavor of the fresh fruit.

• **Low-Cost Process**—The essence was developed at the Dept. of Agriculture Regional Laboratory at Wyndmoor, Pa. by the same group of chemists who perfected the bland apple sirup which replaced war-scarce glycerin as a humectant in cigaret manufacture (BW Feb. 27 '43, p. 86) and who recently unearthed a new tobacco flavor.

The clear, apple essence is so powerful that a few drops are said to make apple jelly taste more like the fresh fruit than the apples themselves. What makes it especially attractive from commercial standpoint is that production costs may be reduced to around \$1 a gal.

• **Flash Evaporation**—The industry has known that the best part of the fragrance and taste of apples is lost in processing because the required heat tends to disperse the volatile ingredi-

nts. Recapturing them has been the subject of much research, usually involving treatment of the juice under high vacuum. None of this met with the desired success. Then came a discovery that did the job.

The process involves running the apple juice through a rapid evaporator where it is steam-heated to 218 F in 15 sec. The heating vaporizes about 10%, and this is put through a fractionating column from which the top 10% is removed. It is this double-distilled essence that holds the concentrated aroma.

Blends Possible—Juice must be pressed from sound apples because any volatile off-flavors in the juice are also recovered, the department says. Since the characteristics of the flavor, including the aroma, are dependent upon the variety of apples used, blending different varieties is a means of controlling and improving the product.

Experiments have shown that most of the volatile flavor of apples lies just under the skin. Hence the outer covering is disintegrated as much as possible to liberate this taste.

Commercial Uses—The scientists expect commercial jelly and sauce makers to be especially interested in this means of enhancing the flavor of their product. It also makes a highly palatable soda fountain drink, offers a new flavor to candy manufacturers for gum drops, etc., and is excellent in ice cream and cakes.

Agriculture Dept. chemists are not so happy about the new tobacco flavor, called myosmine, which they derived from nicotine.

Tobacco Extract—One school of thought has it that myosmine is the chemical which gives a high-priced cigar its aroma, but confirmed cigar smokers say it ruins a good cigar and makes a cheaper one taste like rope. Regular cigarets take on the pungency of Cuban cigarets by its addition.

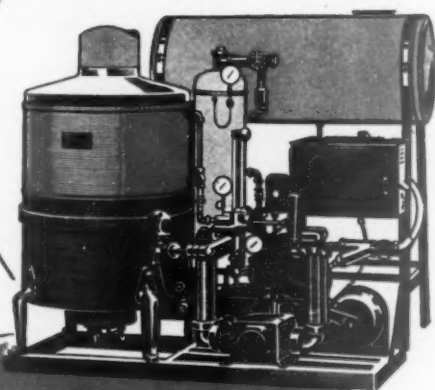
Success in deriving myosmine from nicotine for the first time was a triumph and tobacco companies were interested enough to ask for samples for experimental purposes. But they failed to come back for more.

ALCOA TO DOUBLE FOIL

Anticipating a vastly expanded market for aluminum foil, Aluminum Co. of America last week announced it would double its current foil manufacturing capacity during 1946.

The announcement came only a short time after Reynolds Metals Co., long the country's biggest foil producer, announced it would boost its output tenfold to meet the demand for packaging everything from candy to machine parts (BW—Jan. 26 '46, p82).

Clayton STEAM GENERATORS



A New STANDARD
FOR PRODUCING STEAM

AS PIONEERS OF "Forced Recirculation" Clayton engineers have developed an improved method of generating steam, which is comparable in its importance to the many outstanding engineering achievements of this era.

Due to the process of "Forced Recirculation" Clayton Generators produce steam, as it is needed, from approximately 10% of the water contained in the conventional boiler system. *As a result:*

1. Steam at full working pressure is available within 5 minutes from a cold start. Standby losses are negligible.
2. Operation is fully automatic. Generator floats on the line, instantly adjusting the steam output to minimum or peak demands.
3. Overall thermal efficiency is 75% to 85%.
4. Space requirements are reduced two-thirds. Weight is 50% less.
5. Clayton Generators are explosion proof, easy to operate and require minimum maintenance. Operation is unaffected by vibration or motion.

Built as complete units, they come as a package ready to connect and operate. There is nothing to add, no divided responsibility for the success of the installation.

In every instance where process steam is required . . . whether it be for stationary, mobile or shipboard use . . . Clayton Steam Generators offer many outstanding advantages.

Present production is limited to six sizes . . . 10, 15, 25, 50, 75 and 100 Horsepower. All are capable of working pressures up to 150 pounds.

← **WRITE FOR ILLUSTRATED BOOKLET No. S-6**



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HYDRAULIC VALVES

Weeds Doomed

Quantify production and decreasing cost of 2, 4-D makes wide use certain this summer. Acre can be treated for \$6.

The new weed-killing chemical, 2,4-D, short for 2,4-dichlorophenoxyacetic acid (BW—Feb.17'45,p72), can be produced in such quantities for spring and summer that it will be available at low cost all over the United States, and the Dept. of Agriculture expects to be busy all season watching results. Experiments have proved the effectiveness of 2,4-D on dandelion, thistle, burdock, morning glory, and even honeysuckle. The latter is a pest in southern states that has never before been controlled

by a chemical. The weed-killer is so useful that the government's county agricultural agents are recommending its use to farmers.

• **Inhibits Apple Scale**—The hormone-like chemical is a growth regulator which is lethal to some plants in large doses. Weak solutions encourage plant growth but, in the process, instead of stimulating a plant to death, apparently starve it by using up the plant's starches. Yet a very weak solution paradoxically delays growth of the dry scales in apple stems which cause the fruit to drop off when ripe. Use of this spray will save much fruit from bruising and increase marketable harvests.

Bananas, pears, apples, and other fruits picked green will ripen faster if sprayed with 2,4-D. Pastures can be freed of weeds without harming the grass or the animals. Wheat fields can be rid of weeds without damaging the

grain as food. Ragweed—common cause of hayfever—wild mustard, bindweed die if dusted or sprayed with 2,4-D. Large acreages may be sprayed with a water solution of 2,4-D or dusted with powder by tractor or plane.

• **Cheaper Than Poisons**—To treat an acre with plant poisons like carbon disulfide, widely used on valuable lands in the West, costs from \$200 to \$400. The new plant killer will cost only \$2 or \$6. Even sodium chlorate costs nearly ten times this much. Prices of 2,4-D of about \$2 per lb. are expected to decline. It is now being sold in whole sale lots for \$1.10 by one company.

Nonflammable, nonpoisonous, and noncorrosive, 2,4-D is a powder that isn't soluble in water but which can be readily made so by producing it as sodium or ammonium salt. Any large chlorinating company can do this, says American Chemical Paint Co., De

Substitute for Crankshaft Cuts Vibration, Side-Thrust

Conversion of reciprocating motion to rotary motion—and vice versa—is as old as the machine age and has been fundamental in its development. So when a new way of doing it comes along, that's news in the engineering world.

The new motion transformer came to public attention last month when the State of Utah approved an appropriation to perfect, patent, and promote the design originated by James A. Hardman of Logan, who assigned his patent rights to Utah Scientific Research Foundation (BW—Jan.26'46,p45). And serious interest in this invention on the part of engineers and machine designers is almost certainly assured by the favorable test results which were reported on Jan. 24 by the Civilian Production Administration, whose Office of Production Research & Development sponsored its development by contract with the Utah research foundation.

• **Weight Reduction**—The most common motion converter is the type used in the automobile engine, where the up and down travel of the pistons is translated through oscillating connecting rods to rotation of the crankshaft which drives the gears that make the wheels go around.

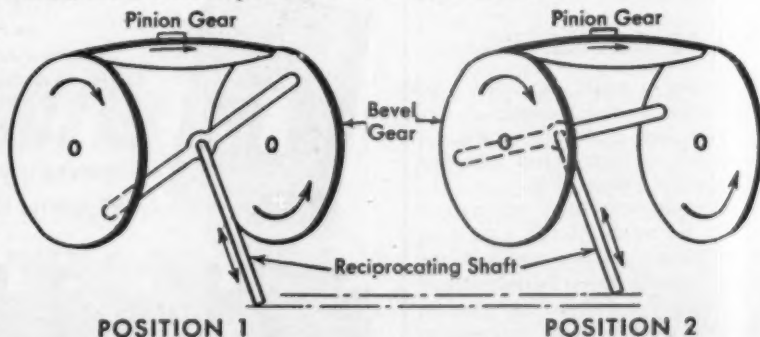
But according to CPA's report, the new motion converter will in some instances make possible design of large machines having only two-thirds the weight required where the

crank and connecting rod mechanism is used. And the unit is said to provide a simple harmonic motion which eliminates unbalanced crank effort and piston side-thrust. Tests at the Bureau of Standards on 50-hp. models indicate that vibration is negligible and that the efficiency compares with that of the best-designed speed reducers. Immediate prospective applications are said to be in such machines as air compressors, pumps, and some types of engines.

• **How Mechanism Works**—Shown schematically to illustrate the principle rather than the mechanical construction details, the new converter consists of two opposed bevel gears driven in opposite directions by a revolving pinion gear and connected by a crosspiece, or shuttle, to the center of which is attached a shaft. As the gears turn, the shuttle travels back and forth to reciprocate the shaft, and the center point to which

the shaft is attached moves neither up nor down nor sideways, avoiding side-thrust. The shuttle does, however, oscillate on the shaft (on a bearing) because one end rises and the other drops as the gears rotate. And the ends of the shuttle swivel in ball-and-socket bearings and slide somewhat in these bearings since the distance between them varies as the gears turn. For trouble-free operation, the entire mechanism is inclosed in a strong, splash-oiled case, which supports the bevel and pinion gears and the reciprocating shaft.

In Position 2 on the sketch, the bevel gears have rotated through about a quarter turn from Position 1, carrying the shuttle and the reciprocating shaft forward by an amount which is indicated by the broken lines at the bottom. As the rotation cycle is completed, the shaft will travel back beyond the original position shown.



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LYON SURVEY SERVICE is backed by many years of experience in helping manufacturers (1) Plan storage layouts that save floor space and provide for maximum use of a minimum inventory, (2) Organize tool rooms to make possible better protection and more productive hours for dies and small tools, (3) Select shop containers of the most efficient size and design for handling materials in production. The practical value of **LYON SURVEYS** has been proved by records of increases in economy and efficiency in hundreds of leading industrial plants. **LYON SURVEY SERVICE** is offered without obligation. Write for full particulars.

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*Gaylord
Boxes*

CORRUGATED AND SOLID FIBRE BOXES

FOLDING CARTONS

KRAFT GROCERY BAGS AND SACKS

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Chemical Co., E. I. du Pont, J. T. Baird, Phillipsburg, N. J., Monsanto Chemical Co., and the Sherwin-Williams Co., in making 2,4-D. Last month a patent on the compound was granted to Frank D. Jones, chemist, of Ambler, Pa., but there is some doubt that his claims will go uncontested.

• **Harmlessness Is Established**—Several queries have been received at the Agriculture Dept.'s Bureau of Plant Industry at Beltsville, Md., as to the effect of 2,4-D might have on child-bearing, fertility, and as a skin irritant. Dr. L. W. Kephart, at Beltsville, says the chemical has no harmful effects on humans except for a slight skin irritation observed on workers who sprayed with it two or three days continuously.

Dr. E. J. Kraus, head of the botany department, University of Chicago, formerly of the Plant Industry Bureau, who made most of the tests on workers with 2,4-D, has eaten large doses of the stuff with no visible effects.

KAISER DISHWASHER

Manufacturers of electric dishwashers may receive a jolt soon when Henry Kaiser announces his "jet-propelled" 50-lb. dishwasher. The washer has been engineered and tested, and is ready to go into production at the Bristol (Pa.) plant of the Fleetwings Division of Kaiser Cargo, Inc., subsidiary of the Kaiser Co., Inc.

The steel strike hasn't slowed the project because Kaiser is using aluminum alloy, asserting that he thereby saved 25% in cost over the steel he had considered. Since the washer has no motor, that shortage is no handicap.

Simple in construction, the machine may sell in the \$50 to \$75 range. (One engineer estimated that it could be mass-manufactured for \$16.) The tub is about 21 in. in diameter and 21 in. deep. Centered in the bottom is a hydraulic lift to raise the basket to a loading position when the lid is raised. When the dishes are in place, a valve is opened in a pipe connecting the washer to the house hot water supply. Fast pressure then forces jets from small nozzles around the inside of the tub at the bottom. The streams rotate the basket as they do the washing. When the lid is opened the hydraulic lift raises the dishes out of the tub, and the basket continues spinning by momentum until the dishes are air-dried.

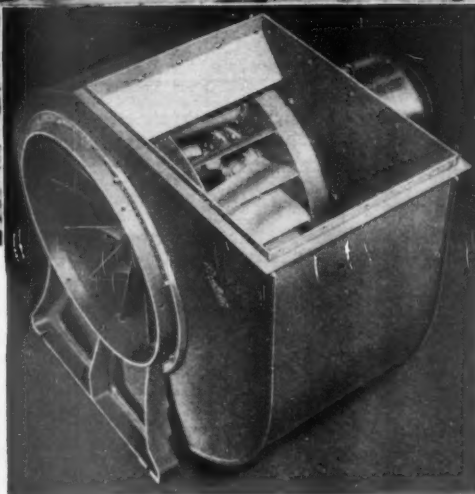
The capacity is relatively small, and in old houses with partially clogged water pipes the pressure may prove inadequate. While extremely hot water is said not to be required for successful performance, the washer will call for a reasonably effective domestic water heating system.

"NATURAL" VENTILATION

(EGYPT
3,000 B. C.)

PREVAILING WINDS

● THIS OR A SWIM IN THE NILE kept Egyptians cool in ancient times. An extra roof slanting down towards the center scooped up prevailing winds, which were then channeled down into the house. Ventilation depended entirely on the wind, occupants often preferring to sleep on the roof.



TODAY it's
"Buffalo" for

TROUBLE-FREE, LOW-COST
FAN VENTILATION

Ventilation has come far since days when wind was used for air circulation. Today, "Buffalo" Type "LL" Fans quietly, smoothly and economically deliver large volumes of air for ventilation and industrial applications. Stationary vanes at inlet

prevent noisy, wasteful turbulence... while slow-speed, high-volume design gives real efficiency. No overloading is possible, due to the Limit-Load characteristic. Full engineering data in Bulletin 3339, yours on request.

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Canadian Blower & Forge Company, Ltd., Kitchener, Ont.

"Buffalo"

**Limit-Load
Type "LL" FANS**



North American Banking Service

Linked with over 500 branches of this Bank across Canada are the Bank's agencies and subsidiaries at:

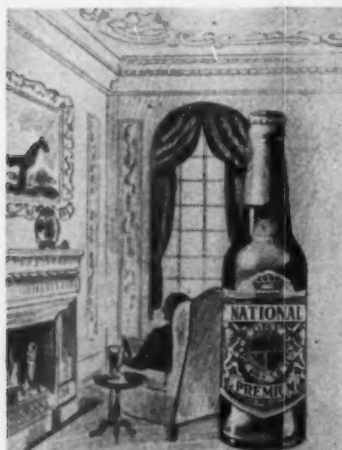
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by the
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OF BALTIMORE IN MARYLAND

NEW PRODUCTS

Moldable Palestic

Palestic is a new, inexpensive, moldable material which has properties midway between those of stone and plastic and can be sanded, sawed, and polished, according to Engineering Associates, St. Charles, Ill., which compounded two liquid chemicals that are



added to gypsum plasters by the user to produce the product. Claimed to cost only 6¢ to 9¢ a lb., the material may be used to make a wide range of items from figurines and vases to industrial products such as patterns, instrument bases, containers, clock and radio cabinets, and display racks. And it is said to acquire further versatility by bonding to plastics, metal, wood, and glass.

Setting time, manner of mixing, type of molds, and techniques of handling are claimed to be the same for Palestic as for plaster, and final hardening takes place in 24 to 30 hours at normal temperature or in a few hours at 140 to 160 F. While the chemicals employed are colorless, soluble dyes may be added to produce products of various shades.

Split-Second X-ray

Imperfections which show up only under the stress of high speed are said to be revealed in machine parts by a new device that snaps an X-ray picture in a millionth of a second. Developed by Westinghouse Electric Corp.'s Lamp Division at Bloomfield, N. J., it may be used, too, in the study of arc welding, where the metal is obliterated in regular photographs by the strong light from the arc.

The super-speed X-ray pictures are made possible by a special vacuum tube in which a metallic arc created by a high-voltage pulse crashes electrons into

a metal plate at 100,000 miles a second to generate the X-rays which make the exposure on the film.

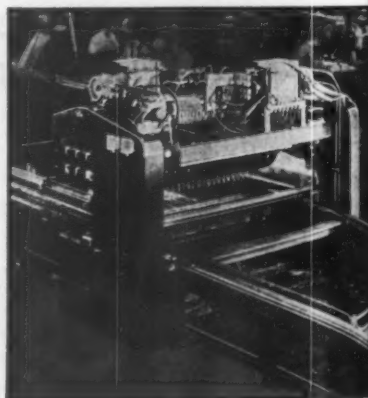
Plastic-Screen Ventilator

Designed to bar rain, snow, and drafts, but pass air and light—even ultraviolet—the new Air-In Window Ventilator consists of a series of vertical translucent baffles mounted on a single layer copper screening in a length-adjustable aluminum frame. Contributing to the appearance as well as the utility of the screen, the baffles are formed from Vimlite, a weatherproof plastic covered wire mesh and are about 1 in. wide, ½ in. apart. The ventilator will be distributed by Salmonson & Co., 110 Broadway, N. Y.

Spot-Weld Controller

Production limitations of fully automatic, multiple-spot, resistance welding machines are said to be reduced a little more than the time required to load and unload the parts by the new Ultra-Speed Welder Control developed by Progressive Welder Co., 3050 E. Outer Drive, Detroit 12. This welding director distributes current to one or to groups of welding points successively by means of a screw-driven carriage that depresses push rods to engage contacts while another element of the carriage engages adjustable-stroke plungers to control individually the current-flow time for each weld.

All welding points bear on the work at welding pressure, to eliminate sepa-



arate squeeze and hold times for each weld and permit 100 or more joints to be made in slightly more than the total of the individual weld times, a few hundredths of a second each.

Welding machines to be equipped with this controller can be built with



ENGINEERING HALL, UNIVERSITY OF ILLINOIS

A Leading University

USES BUELL FLY ASH PROTECTION

POWER PLANTS throughout the industries and institutions that serve America recognize the efficiency of Buell (van Tongeren) Collectors as a protection against fly ash dispersion.

Among the various power plants using Buell Fly Ash Collectors is a leading American educational institution, the University of Illinois at Champaign. The plant of the University has used

six Buell Collectors with its stoker-fired boiler, for the elimination of fly ash, over a period of several years.

In fact it may be said that power plants employing Buell Collectors represent a fair cross-section of American industry. They include such well known concerns as: BETHLEHEM STEEL COMPANY, STEELTON, PA., PHILADELPHIA NAVY YARD, WEST-VACO CHLORINE PRODUCTS CORPORATION, CONNECTICUT LIGHT AND POWER COMPANY, JACOB RUPPERT BREWERY.

Detailed information on Buell Collectors to meet your specific fly ash requirements will be gladly furnished upon request.

BUELL ENGINEERING COMPANY, INC.
60 Wall Tower, New York 5, N. Y.
Sales Representatives in Principal Cities

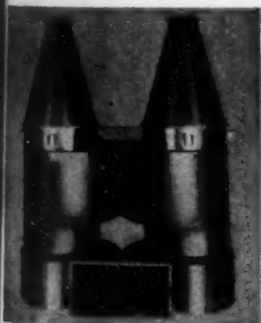
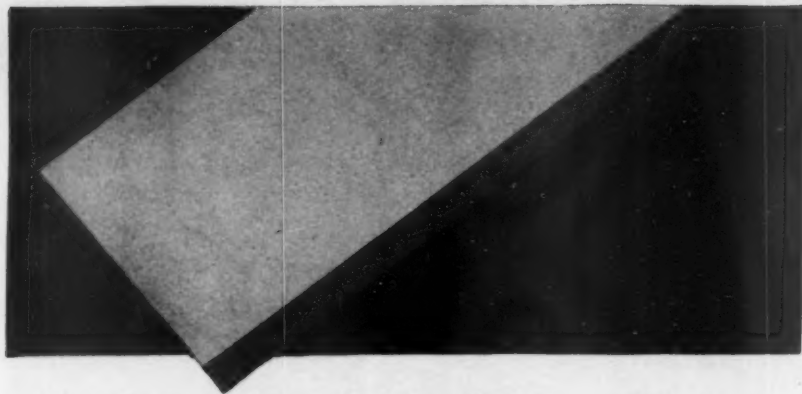


Illustration shows typical unit of a battery of six Buell Fly Ash Collectors installed with stoker fired boiler in power plant of University of Illinois.

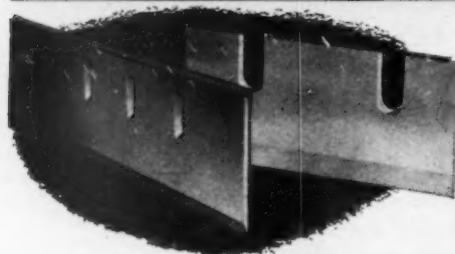
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FOR CHEMICAL • ROCK PRODUCT • METALLIC • FOOD • FLUE OR ANY OTHER DUSTS

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"Red Back" Machine Knives are made of **SIMONDS STEEL** in Simonds "Controlled Climate"

... that's why they're the No. 1 Knives in
Woodworking Plants and Pulp and Paper Mills



At top: Thin High-Speed Planer Knife.
Above, left: Chipper Knife for Pulp Mills.
Above, right: Knife for Cutting Veneers.

Constant control — all the way from the electric furnaces in Simonds steel mills to the shipping platform of Simonds controlled-conditions plant — this is what it takes to make the smoothest-cutting, longest-lived Machine Knives *that can be made*. Simonds own methods of hardening, cooling and

grinding — plus expert inspection before and after every process — are your guarantees of fullest return on your knife-dollar. There are Simonds "Red Back" Knives for every type of woodworking machine, veneer lathe, slicer . . . and for cutting pulp, paper, hog fuel, excelsior, leather, celluloid, rags — or what have you? Order from your Industrial Supply Distributor.

SIMONDS (rhymes with diamonds) is the name of the longest-experienced U. S. firm of sawmakers . . . who also make Files and Knives.

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St., Montreal 30, Que.

SIMONDS
SAW AND STEEL CO.

FITCHBURG, MASS.

a wide range of weld spacings and cations, it is claimed, and the weld guns can be arranged in single multiple rows, steps, or curves.

Individual timing of each weld gun is said to permit spot welding different thicknesses of metals, so reinforcing sections, brackets, space and trim forms can be joined simultaneously to a main pane.

Carbon Paper Convenience

Because it has a cardboard tray which pulls out like a drawer, the new sheet carbon paper carton designed by Frank Gianninoto for Underwood Corp., 1 Park Ave., New York 16, said to save the typist's time and permit her to pick up one or more sheets without smudging her fingers, the tray being held in place by a tear-off tuck-in flap. For further convenience, the carton has a corner-locking flap on the bottom for storage of partly used carbon paper.

Occasional typists could use the empty carton handily by putting carbon paper or stationery in the pull-out tray and a carbon sheet in the storage place on the bottom.

THINGS TO COME

Plastic safety guards to protect the eyes and fingers of workers of the future will not only be transparent as now, but will be attached to drill presses, lathes, bandsaws, and other mechanisms in factories and home workshops with powerful alnico magnets.

Since there is almost always a steel or iron member adjacent to the treacherous business part of any cutting tool, one or more permanent magnets on a guard will have a place to cling tightly without fitting, screwing, or clamping. Whenever a guard requires cleaning for maximum visibility, it can be detached as quickly and easily as it was attached originally.

• Now in the laboratory stage is a gadget which will answer the phone and take a message from the caller. A magnetic recorder-reproducer with added attachments, it will lift the receiver when the phone rings and reproduce a short spiel such as, "Hello. This is Main 3456, but the Joneses are not at home. Sorry, but if you care to leave a message, it will be recorded." Then the machine will shift to recording and after a short interval will lower the receiver and turn itself off.

Tony Just Painted His Way

Reading time: 1 minute, 32 seconds

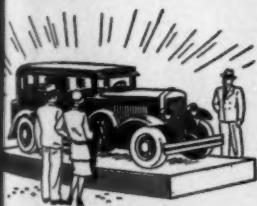


TONY worked in a shoe factory and liked it pretty well.

He came home one day and his landlady climbing a ladder to do some painting. Big hearted Tony grabbed the brush, climbed the ladder, did the painting. He liked painting a lot.

"From then on I just painted my way," says Tony. He painted buggies and barns, houses and furniture, inside and out. Hired painters to help. Business boomed. Then IT happened.

IT happened when Tony bought a second-hand car, painted it up, sold it quick. Bought another, sold it. Still another and sold that, too. Tony was now painting his way like nobody's business.

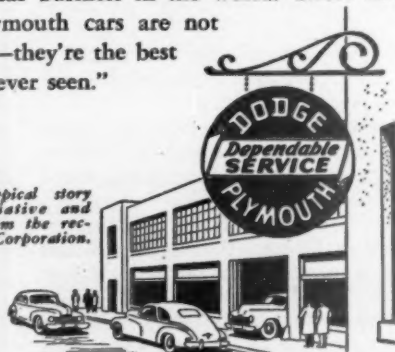


Tony outgrew one sales lot after another. When Dodge people talked to Tony about being their dealer, Tony said, "Sure, Dodge is the best car I ever painted." He acquired a building, equipment and an organization and sold a thousand cars the next year in business.

When the war came he was doing \$3,000,000 of business a year. During the war Tony's shops were busy full time taking care of people who wanted "Tony's touch" for their aging war-time cars.

Tony is all set for the future. "I'm still sitting on top of the ladder," says Tony. "I've got the best new and used car business in the world. Those new Dodge and Plymouth cars are not only great cars—they're the best paint jobs I've ever seen."

NOTE:
This is another typical story of individual initiative and enterprise, taken from the records of the Chrysler Corporation.



CHRYSLER CORPORATION
PLYMOUTH ★ DODGE ★ DE SOTO
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REMEMBER THURSDAY NIGHT! The Music of Andre Kostelanetz and the musical world's most popular stars—Thursday, CBS, 9 P. M., E. S. T.

KEEP ON BUYING VICTORY BONDS

Street Agape Over Kaiser Deal

Financial district's amazement at share-buying public's optimism over auto production prospects is only equaled by interest in the role played by SEC in record-breaking financial coup.

The Kaiser-Frazer week end at the Waldorf (BW—Jan. 26 '46, p19) had an equally dramatic companion piece in New York's financial district.

The public's receptiveness for the cars which will some day be manufactured by the company which Henry J. Kaiser already describes as the fourth largest in its field was amply demonstrated on Park Avenue.

The public's receptiveness for additional securities floated under the magical Kaiser imprimatur was amply demonstrated in Wall Street.

• **1,800,000 Shares**—That the avidity of the share-buyers was no whit less than that of the would-be car buyers was pretty conclusively proved by what happened on Wednesday of last week. On that day Kaiser-Frazer Corp. consummated previously heralded financing plans (BW—Jan. 12 '46, p79) and offered 1,800,000 additional shares of stock for sale. The offer was made to the public through Cleveland's Otis & Co., San Francisco's First California Co., and New York's Allen & Co.

Customer appetite for the stock was apparently wholly uninfluenced by the fact that the company thus far has produced nothing but "samples"; that it doesn't expect any real quantity production for at least four months; that it isn't aware yet what ceilings the Office of Price Administration will set on its cars; and that only last fall it sold an initial offering of 1,700,000 shares at \$10 each, compared with their January, 1946, price of \$20.25.

• **Snowed Under**—As with the earlier Kaiser-Frazer financing, bankers handling the second deal immediately found themselves snowed under with orders. Within an hour, the new offering, described by Otis as "the largest common stock issue ever offered on the American market," was heavily oversubscribed and the subscription books closed.

Net proceeds of last week's operation amounted to \$34,470,000. The company now has on hand almost \$54,000,000 of cash and government securities to finance future operations at Willow Run and its projected Pacific Coast assembly plant, since some \$19,500,000 of the funds which were secured in its

earlier financing still remain unexpended.

• **Founders' Interest**—Now outstanding are 4,000,000 shares of the 5,000,000 originally authorized. Almost 16% of the issue (or 625,000 shares) is held by those instrumental in organizing the company, including 370,000 shares by Kaiser, 250,000 by Graham-Paige, and 5,000 by Joseph Frazer, Kaiser-Frazer president.

Before the recent financing, the founders' interest in the company had approximated 25% (or 575,000 shares), all of which had been purchased at \$10 a share. Both Graham-Paige and the Kaiser interest had started the ball rolling with purchases of 250,000 shares of the 2,200,000 first issued. The Kaiser interest, it has just been learned, subsequently augmented its original stake by buying 75,000 additional shares out of the block offered the public last fall.

• **Kaiser Takes 45,000**—In the second and more expensive offering, however,

Graham-Paige did not participate. Kaiser took but 45,000 of the new shares. Frazer, not an earlier purchaser of record, on the other hand, bought 5,000.

Many veteran Wall Streeters, aware of the difficulties a new company faces in getting production under way, were amazed at the reception accorded the company's second stock offering within a four-month period.

Its success, however, isn't the only aspect that has aroused Street interest. • **Well-Timed**—Much commented upon was the break the company received when the Securities & Exchange Commission released the shares from registration in time for their public offering to receive the fullest benefits from all the heavy publicity attending the debut of its first models.

This has inspired many cynical remarks (especially in quarters not profiting from the deal) since the Street only too well remembers the record-breaking shortness of the time that the company's initial financing had to speed in SEC's new-issues icebox. Eyebrows were raised a bit when it was learned that the underwriting commission came to \$1.10 a share, the same as last fall since it had been indicated earlier that a 90¢ rate would prevail.

• **Responsive Market**—Inspiring much talk, also, has been the rise from around \$15 to over \$24 disclosed by Kaiser-Frazer stock in the over-the-counter market shortly after the company's early January announcement indicating that



Lyman Smith (left), treasurer of Otis & Co., hands over to cheerful Hickman Price, Jr., vice-president and treasurer of Kaiser-Frazer Corp., proceeds from the new auto company's record \$34,470,000 second common stock issue.

Kaiser-Frazer Party

The big Kaiser-Frazer party at the Waldorf Astoria (BW-Jan. 26'46,p19) lasted four and a half days, made everybody who had a hand in it very happy. Results, as tabulated by Carl Byoir & Associates, publicity firm in charge of arrangements, included: attendance by more than 156,000 persons; "more than 8,900 orders" for Kaiser and Frazer cars.

The orders, reported "valued at more than \$11,261,400," cannot be filled until (1) the cars are in production and (2) OPA specifies prices that can be charged. About two-thirds of the orders taken were for the low-priced Kaiser car.

Production at Willow Run is expected "in the next few months."

ended to sell additional shares at a price based upon their actual market value at the time of the offering would be made.

This rise in price while the shares are awaiting release from registration estimated to have added millions to the company's proceeds from its financing, and for a time there were many unconfirmed stories that the move would become the subject of SEC investigation.

Blue Sky Angle—Another commentator has been the trouble experienced by underwriters of the offering because of the blue sky laws of three states. In neither Ohio nor Michigan were they permitted to offer the shares. Indiana offerings were subjected to considerable restriction.

sale of the shares in Ohio was precluded without the issuance of any official edict by the Ohio Securities Division. When Otis & Co. first registered stock for offering there, it was soon ordered on to supply further information to justify an increase in its selling price from \$10 to \$20.25 since, as Ohio officials saw the picture, the shares had a value of only \$8.90 each. Its only reply to that inquiry was a withdrawal of its earlier request for qualification, barring of the offering in Ohio automatically followed.

Michigan Requirement—The Michigan laws provide that stock issues sold subsequent to an initial offering cannot amount to more than twenty times the selling corporation's earnings. The Kaiser-Frazer underwriters were told informally that their offering thus didn't meet Michigan requirements, and an official announcement to this effect was

When the Business Doctor takes off the lid



The Management Engineer lifts the lid, peers into the many phases of plant operations. To his vital work, he brings professional perspective, broad basic background in all business fields and industry, a competent staff of specialists...utilizes laboratory analysis, personnel psychology, job and work evaluation...intelligently integrates many complex factors, often supplies the catalytic agent which make profits jell.

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is a report of all relevant facts—current and comparative...in a form for quick assimilation, comprehensive enough to aid overall judgment. With the facts before him, his complex diagnosis can be accurately made; the corporate patient headed towards recovery.

McBEE is not a firm of management engineers. But our methods and products based on forty years of experience, aid analysis, facilitate interpretation, speed systematic study...make the doctor's final findings available faster, because McBee makes all the important business facts available faster!



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SOLE MANUFACTURERS OF KEYSORT

295 Madison Ave., New York 17, N. Y... Offices in principal cities

STATEMENT OF CONDITION

December 31, 1945

RESOURCES	Totals
Cash and Due from Banks . . .	\$149,091,868.16
United States Gov't Securities .	
Direct and Fully Guaranteed .	371,396,225.25
State, Municipal and Other	
Public Securities	49,993,918.07
Other Bonds and Securities . . .	8,606,438.82
Loans and Discounts	122,957,792.36
Federal Reserve Bank Stock . . .	495,000.00
Bank Buildings, Vaults, Furniture and Fixtures	1,763,248.89
Interest Earned Not Received . . .	1,284,992.47
Customers' Liability Under Letters of Credit and	
Acceptances	1,661,776.35
TOTAL	\$707,251,260.37

LIABILITIES	
Capital Stock	\$10,000,000.00
Surplus	6,500,000.00
Undivided Profits	4,290,839.03
Reserves for Contingencies . . .	3,781,966.80
Reserve for Interest, Taxes, etc.	1,810,468.24
Discount Collected Not Earned	196,557.65
Letters of Credit and Acceptances	1,661,776.35
Deposits	679,009,652.30
TOTAL	\$707,251,260.37

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in the State of Washington

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System



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Insurance Corp.

SEATTLE-FIRST NATIONAL BANK

Main Office—Seattle
Spokane and Eastern Division—Spokane



HONORABLE SUCCESSION

When 70-year-old William M. Jeffers stepped down this week from the presidency of the fabled Union Pacific, George F. Ashby (above), executive vice-president, stepped up to take his place. Ashby already has 40 years of railroad service to his credit—35 of them with U. P. Jeffers, the son of a U. P. employee, also spent most of his working days on the railroad—since he began as office boy at the age of 14. Besides his career with U. P., Jeffers is famous as the man who got the wheels turning in the synthetic rubber plants during the war.

issued on the day of the offering. Indiana officials didn't completely ban the issue from sale in that state. However, they required that the stock be sold only in 100-share lots. Kenneth Weddle, Indiana securities commissioner, said this was done to limit the sale to those who can afford to take the risk since "the stock definitely is a speculation so far."

• **SEC's Position**—Soon after the shares were offered, SEC availed itself of the occasion to make some remarks on the operation itself. Taking cognizance of reports widely circulated among the public that the commission had approved the higher offering price of Kaiser-Frazer's second offering of stock, SEC reiterated that it lacks any power under present laws to approve or disapprove the price at which such an issue is offered publicly.

The commission likewise emphasized that, under the Securities Act of 1933, it receives no power to pass on the

ets of any issue of new securities. The law only provides that SEC safe-ly investors by requiring full and rate disclosure of all material facts concerning securities about to be of-

ore Than Pleased—Wall Street gen-ly was more than pleased to read SEC release. In fact, it only hopes the nation at large will now finally ze that the release of a new issue n SEC registration never does put latter's seal of approval on all the es of the financing operation that is question.

Rails Cut Debt

Four lines successfully use ders to retire noncallable nd issues. Operation reduces ed charges, saves on taxes.

ION Last year a number of railroads, flush h war-swollen earnings, were unable retire a large amount of funded debt cause of the noncallable feature of ny issues maturing a relatively few rs hence. Open-market purchases er a doubtful solution, for this uld only drive already-high prices n higher. And if the debt-retirement ntages of the excess-profits tax were e gained, there was no time to be

enders Invited—Four prominent ds decided to try something different. nthern Pacific, Illinois Central (BW- t.27'45,p74), Southern Ry., and Chi- go, Burlington & Quincy invited lders of such bonds to tender them the issuer, usually at a set price. ese offers involved some \$163 million ds not subject to call and selling the open market at substantial pre- ums.

This operation as a whole proved te satisfactory. Well over \$80 mil- n of bonds were purchased by the up, and the large premiums above par ad had to be paid actually cost the tems a much smaller amount since ch costs could be charged against mings before 1945 federal tax liability s on figured.

Fixed Charges Cut—On an individual sis the Burlington appears to have rmed in the best performance. Its peration covered \$65 million general rtgage 4s, due in 1958, for which it as willing to pay up to 120% of par, d \$30 million first refunding 4s, r 1977, for which it offered 120, or \$1,200 r \$1,000 bond.

Burlington offered to buy up \$50,- 00,000 of those issues and accepted nders of \$49,765,000. It then sold an



A Handshake—in Any Language

An American soldier in the Philippines, sitting by the roadside reading a several-months-old issue of *The Reader's Digest*, was interrupted by a poorly clad native man and a girl—brother and sister, as they turned out to be. They hadn't seen a copy of the *Digest* for over three years—since attending the University in Manila—and hesitantly offered him \$2.50 for his copy. Writing home to his wife in Waukegan, he told her how much he enjoyed their intelligent conversation, adding—need- less to say—that they got their much-coveted *Digest* free. This is one of countless examples of the friendliness reported to the editors that springs up between people of different tongues and races, with *The Reader's Digest* bridging the gap that would otherwise separate them.



Are you interested in Latin America, Sweden, Finland, or the Middle East?

Now that paper rationing has eased in most foreign countries, a limited amount of space is available for suitable new advertisers in the international editions of *The Reader's Digest*. Each edition is the most widely read magazine in its language and is thus the most logical advertising medium in its territory for the American advertiser. Circulation and rates (b-&-w page): Spanish, over 850,000; \$1600. Portuguese (Brazil and Portugal), over 300,000; \$650. Swedish, over 275,000; \$600. Finnish, over 100,000; \$225. Arabic, over 100,000; \$400. For avail- abilities, phone Chappaqua 400.



to discuss treatment of a certain patient with one of my medical students. He de- scribed to me a new treatment of which I had only just read in an American medical journal—I thought I was the only person acquainted with it in this part of the world.



I found my student had come across it in *Al Mukhtar (the Arabic Edition)*. Since then I also have become an ardent reader of *Al Mukhtar* so that I would not be out- stripped by my students."

Letter of the Month. From Kenneth Parker, President, The Parker Pen Company (with a space order for a full four-color schedule in every edition): "Please regard this as a standing order to place a full schedule in every new edition put out by *The Reader's Digest*."

Advertising is accepted in the Arabic, Finnish, Portuguese, Spanish and Swedish editions. *Reader's Digest International Editions, Inc., Pleasantville, New York, Chappaqua 400.*

Department of International Opinion.

From Akseli Kinnunen, President of the Finnish News- paper Distributing Association: "Valitut Palat (*the Finnish Edition*) has since its first number met such demand that every issue has been sold out within a short time in spite of large and increasing print orders. The newsdealers in Finland handle at present around four hundred publications. Valitut Palat is now leading those most in demand."

Answer to a student's prayer. "Recently," wrote Dr. Huani Sabah, Rector of Syrian University, Damas- cus, "I had occasion in one of my classes

International Editions of



The Reader's Digest

READ BY THINKING PEOPLE ALL OVER THE WORLD



Get the point!

And be sure it is smooth. **VELVET** points are velvet-smooth. And—they're strong, because the lead is bonded to the wood (*Pressure-Proofed*).

Venus **VELVETS** save office time, trouble and expense. Try them... you'll specify them!



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VENUS VELVET PENCILS

AMERICAN LEAD PENCIL COMPANY, HOBOKEN, NEW JERSEY

equal amount of new 2½% bonds and by the operation reduced yearly fixed charges some \$652,000.

Southern Pacific invited tenders of its \$55,600,000 Central Pacific first mortgage 4s, due 1949. Unlike the Burlington it set no limit on the amount of acceptances or on the price. Tenders of bonds came to \$17,987,000, at an average cost to the road of 110.79% of par. SOPAC's own funds were used to purchase them and through the operation it cut annual interest requirements some \$719,000.

• **Retired \$15 Million**—When Illinois Central asked for tenders of \$54 million of low-couponed bonds, made up of 14 issues due in 1950, 1951, and 1952, it specified no limits concerning price or quantity. Its results weren't considered so satisfactory by many of Wall Street's rail experts. However, it retired by this method some \$15 million of bonds at "acceptable prices" and, it is estimated, lowered yearly fixed charges some \$500,000.

Operations of the Southern involved a much smaller potential amount of debt reduction. It advised holders of its general and development 6s and 6½s, 1956, of its willingness to accept tenders of \$5 million of such bonds at 118% of par for the former and at 122% for the latter. However, it retired only \$1,315,000 of the issues in this manner.

Bond Lull Ending

New low money rates give impetus to refunding plans that will reach underwriters soon. Much rail financing in sight.

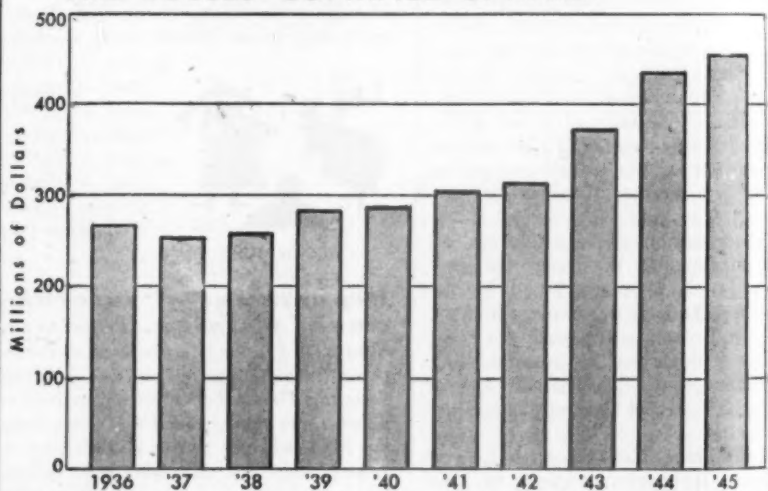
As Wall Street's security underwriting houses expected (BW—Jan. 5, p. 72), new bond flotations have slowed up sharply since the year end and have been far outdistanced in volume by the offerings of new stock issues.

Even including many municipal offerings, 1946 sales of new bonds totaled less than \$60 million up to Jan. 2, compared with the over-\$100 million of new preferred and common stock offered in the same period.

• **Cheap Money Talks**—This disparity, however, may not continue so much longer. Due to the burst of strength disclosed in recent weeks in both the high-grade corporate and government bond markets, money rates have finally reached a new historic low. As a result, many bond refunding plans which but a short time ago would not have been profitable are now being rapidly revived.

The Philip Morris & Co. financing scheduled for this week provides an excellent example of how quickly a

FIRE LOSSES CONTINUE UPWARD



Data: National Board of Fire Underwriters.

© BUSINESS WEEK

U. S. fire losses—the total value of property destroyed—inched up to \$455,329,000 during 1945, the eighth consecutive year of increase. Experts split the blame among such factors as the rise in real estate values, the shortage of trained firemen, the deterioration of equipment, and the shift of production to new lines which create new hazards. They would not be surprised to see the total rise again this year as it did for several years after the first World War. The worst year so far has been 1926 with total losses of \$561,980,000.

An Opportune Time to Raise New Capital

Established companies planning expansion programs, yet wishing to conserve their present working capital, are presented with an opportunity at this time for raising additional capital on unusually favorable terms. Similarly, companies possessing strong management and unusual growth prospects which have not yet been introduced to American investors, may also find current market conditions favorable.

The firm of Smith, Barney & Co. offers its facilities to American enterprise for raising new capital and providing funds for refinancing of outstanding securities. During recent years, apart from public utility issues purchased under competitive bidding rules, we have been syndicate manager or co-manager for the public issuance of securities for the following corporations:

The American Rolling Mill Company
Arkansas Louisiana Gas Company
Armstrong Cork Company
Atlantic City Electric Company
Atlantic Coast Line Railroad Company
The Atlantic Refining Company
Bangor Hydro-Electric Company
Bethlehem Steel Corporation
Central Hudson Gas & Electric Corporation
Chicago and Western Indiana Railroad Company
The Dow Chemical Company
Eastern Air Lines, Inc.
Fairchild Engine and Airplane Corporation
General Shoe Corporation
Hooker Electrochemical Company
The Hoover Company
Houston Lighting & Power Company
P. Lorillard Company
The Glenn L. Martin Company
Monsanto Chemical Company

The New York, Chicago and St. Louis Railroad Company
Northern States Power Company (Wisconsin)
The Pennsylvania Company for Insurances on Lives
and Granting Annuities
Pennsylvania Glass Sand Corporation
Pennsylvania Power & Light Company
Philco Corporation
The Pure Oil Company
Rochester Gas and Electric Corporation
Scott Paper Company
Sharp & Dohme, Incorporated
A. E. Staley Manufacturing Company
Thompson Products, Inc.
United Drug Company
Hiram Walker and Sons, Inc.
The Warner & Swasey Company
Wilson & Co., Inc.
The Youngstown Sheet and Tube Company
The Youngstown Steel Door Company

It is obvious that, in the decade ahead, opportunities may best be availed of by companies in strong financial position. Members of the firm and staff are available for consideration of corporate finance problems and for consultation with corporate executives and counsel in the arranging of new financing. Facilities are also provided for private placement of securities where that is an advisable method of procedure and for taking the steps necessary to broaden the ownership of closely held or family companies.

Smith, Barney & Co.

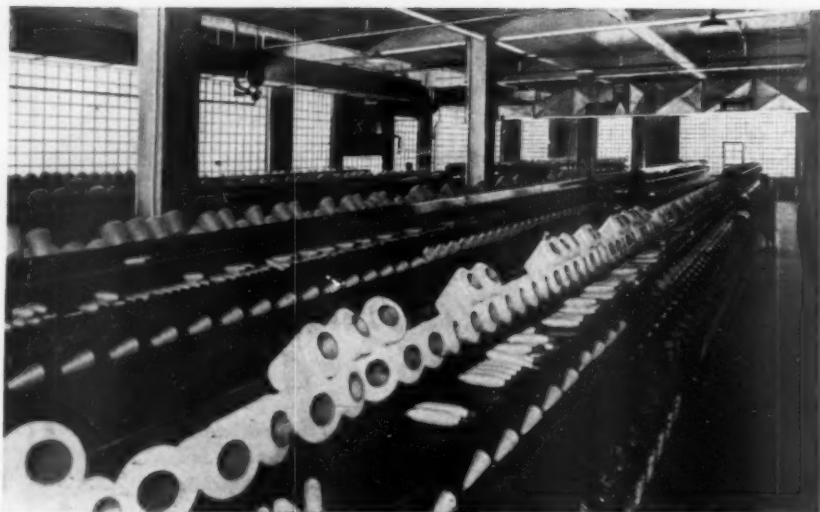
Members New York Stock Exchange

14 WALL STREET, NEW YORK 5

522 FIFTH AVENUE, NEW YORK

PHILADELPHIA

CHICAGO



Interior view of textile mill operated by the Dixie Mercerizing Company, Chattanooga, Tennessee.

DIXIE MERCERIZING COMPANY FINDS IT PAYS TO

"Daylight with Insulux"

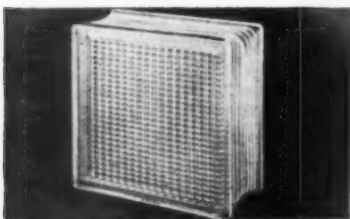
Spoilage losses reduced—maintenance money saved! That was the experience of the Dixie Mercerizing Company through the use of Insulux Glass Block.

Panels of Insulux cut down spoilage losses by preventing the infiltration of dust and dirt. And—due to their high insulating value—they reduce heat loss and condensation.

Furthermore—panels of Insulux show operating economies right from the start. They do not rot, rust or corrode. They are easy to clean. And they never need painting.

There are other advantages, too. Panels of Insulux flood workrooms with well-diffused natural daylight. There are fewer shadows. Objectionable glare is eliminated.

Investigate! There's a place in every building for Insulux.



Insulux Glass Block is a functional building material—not merely a decoration. It is designed to do certain things that other building materials cannot do. Investigate!

MAIL THIS COUPON FOR FREE BOOKLET

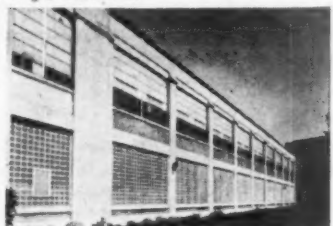
OWENS-ILLINOIS GLASS COMPANY,
Insulux Products Division, Dept. C-37, Toledo 1, Ohio

Gentlemen: Please send me, without obligation, your book entitled, "Rx for the Improvement of Buildings."

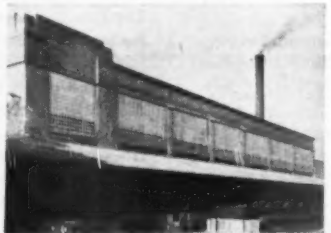
Name _____

Address _____

City _____ State _____



Panels of Insulux transmit and diffuse light better than ordinary windows, yet provide privacy along with light.



Insulux panels do not rot, rust or corrode. They are easy to clean. And they never need painting.

OWENS - ILLINOIS INSULUX GLASS BLOCK

5 REASONS WHY

1. **SAVE FUEL.** Better insulation means less fuel loss.
2. **SAVE UPKEEP CHARGES.** Easy to clean—and to keep clean. No painting required.
3. **SAVE MAN HOURS.** Better light control insures better working conditions.
4. **SAVE SPOILAGE LOSSES.** No infiltration of dust or dirt.
5. **SAVE REPLACEMENT COSTS.** Panels of Insulux do not rot, rust or corrode.

porate bond issuers in a position to so can be expected to take advantage of what has occurred. That promise cigarette manufacturer has announced that its forthcoming new \$20 million issue of 20-year debentures, previously set to carry the low coupon rate of 2½%, will be sold at 2½% instead. • **A New Record Low?**—This revised interest rate, it is believed, will set a new record low for a corporate issue of similar maturity unsecured by any mortgage. Moreover, early this week it was reported that the company did not intend to consider any price for the new bonds of less than par.

The indicated return to a purchaser of only 2.5% on the unsecured corporate issue in question seems extremely low, especially when bond buyers realize that in the recent Victory Loan they had the opportunity to obtain government 2½s, first callable in 1967 and due Dec. 15, 1972, yielding just as much.

• **Changed Picture**—Actually, it is quite as simple as that, for the picture has changed in the weeks since the government's bond drive ended. Now the Treasury 2½s that are due Dec. 15, 1972, are selling in the open market at more than 34 points above par. As to the earliest call date, they offer a yield of only 2.29%.

Current indications are that much railroad financing, of the refund variety as usual, should be seen before long. Already set for sale in the open days of this month are \$44,400,000 new 30-year Union Pacific debentures carrying a 2½% coupon, designed to place presently outstanding 3½s, a \$50 million Southern Pacific bonds, which bidders will name the interest rate, to refund the 3½s that the road sold only last summer.

• **In the Office**—Also expected to be on the market in February are \$65 million of Great Northern Ry. bonds to refund 3½s and 3½s sold as recently as 1944. Candidates for later offering include a \$65 million Chesapeake & Ohio issue, \$21 million Carolina Clinchfield & Ohio bonds, and \$42 million and \$21 million issues by the New York, Chicago & St. Louis and Western Pacific systems.

The utility industry, which provided almost 40% of the more than \$6 billion of new corporate issues sold in 1946 (compared with the 24% that came from the rails, the next largest supplier of business to the underwritten houses), will likewise be a big factor in the 1946 new issues market.

• **Thinking It Over**—Columbia Gas & Electric Corp. is expected to be particularly active in the new issues market. It is now considering the sale of controlling stock interests in such properties.

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not operating companies as Cincinnati Gas & Electric and Dayton Power Light and also \$110 million of its debentures for refunding purposes. Pacific Power & Light is considering sale of \$20 million refunding bonds. Alabama Gas & Electric may refund almost \$15 million of 7% pre-revised which is now outstanding, and Central New York Power may replace \$20 million of 5% shares with stock carrying a lower dividend rate. A Consolidated Edison of New York subsidiary considering refunding \$9 million bonds with debentures carrying over a 2 1/2% rate. Later on, New England Gas & Electric Corp.'s readjusting of its financial structure may result in the sale of \$35 million of new bonds and stock.

On the Industrial Sector—Industrial companies are expected to provide an increasing number of both "new money" and refunding issues, and to be particularly active in the floating of new stock issues. Many such operations are now in the works. The more prominent possible participants include A. E. Staley Co., Cherry Burrell Corp., M. Weinstein & Sons (one of the largest privately owned integrated textile properties), Merck & Co., National Distillers Corp., Publicker Industries, Universal Pictures Co., and U. S. Radiator.

It now appears doubtful if events in 1946 will provide much encouragement to those in the underwriting trade who like the competitive bidding method of selling new issues. The Interstate Commerce Commission has apparently come to like competitive bidding as much as the SEC always has, judging from remarks contained in a recent ICC report. The California Railroad Commission has just ordered competitive bidding in all future new utility issues of \$1 million or more coming under its jurisdiction.

TOLEDO ENACTS PAY TAX
Toledo's city council hardened its heart this week and jammed through the tax on payrolls and on net corporate profits which it hopes will pull it out of its financial hole (BW-Jan. 19 p. 70). The first tax year will begin Jan. 1, and employers will be required to withhold the amount of the levy from their workers' wages. To clear up some of the legal complications, supporters of the tax are expected to start a friendly test suit at once—if possible, beating the opposition punch. Other cities all over Ohio have pricked up their ears since Toledo began debating the income tax, but they probably will wait for the test suit to run its course.

This announcement appears as a matter of record only and is under no circumstances to be construed as an offering of these securities for sale, or as an offer to buy, or as a solicitation of an offer to buy, any of such securities. The offering is made only by the Prospectus.

1,800,000 Shares

Kaiser-Frazer Corporation

Common Stock

Par Value \$1 Per Share

Price \$20.25 per Share

Copies of the Prospectus may be obtained from only such of the undersigned as may legally offer these Securities in compliance with the securities laws of the respective States.

Otis & Co.
(Incorporated)

First California Company

Allen & Company

January 23, 1946.

All of these securities having been sold, this advertisement appears as a matter of record only and is not under any circumstances to be construed as an offering of these securities for sale, or as a solicitation of an offer to buy any such securities.

120,000 Shares

Carrier Corporation

Preferred Stock (Cumulative), 4% Series

(\$50 Par Value—Convertible Prior to January 15, 1956)

Of the 118,257.26 shares offered to holders of Common Stock of the Corporation, 112,887 shares were subscribed for upon the exercise of Subscription Warrants issued to such holders of Common Stock. The 7,113 shares purchased by the Underwriters, severally, have been sold.

Harriman Ripley & Co.
(Incorporated)

Hemphill, Noyes & Co.

The First Boston Corporation

Lehman Brothers

Kebbon, McCormick & Co.

Merrill Lynch, Pierce, Fenner & Beane

Union Securities Corporation

Clark, Dodge & Co.

Eastman, Dillon & Co.

Hornblower & Weeks

W. E. Hutton & Co.

Julien Collins & Company

January 29, 1946.

MARKETING

Mail Firms List "Hopes"

Spring catalogs of the "Big Four" are the largest in years, but production tie-ups and further price changes may cut profits. Last-minute deletions reflect formidable merchandising problems.

Semiannual catalogs of the four big mail-order houses—Sears, Ward, Spiegel, and Alden (Chicago Mail Order)—usually furnish a reliable six-months' forecast of merchandise supplies and trends. Typically, they record safe bets booked six months ahead by as smart merchandisers as can be found.

• **Those Costly Refunds**—But the industry's 1946 spring-and-summer catalogs, in the mail this week, now seem more likely to reflect the hopes of last November. Strikes and reconversion troubles have tied up delivery of consumer durable lines, and soft lines have been slower to improve than expected. Mail-order operating managers were thrice burned during war years by the cost of returning money for omissions of out-of-stock items.

Now they fear that the omission rate will soar again when early orders for scarce items begin to flow in. Their efforts to hedge against this possibility include last-minute deletion of pages of offerings, and overprints of "not available" or "do not order until Feb. 15"—or Mar. 1.

• **Printed Prices Are Rigid**—An added worry this spring comes from ceiling prices fixed for the next six months on the basis of late fall costs. OPA has since granted increases to many manufacturers and more are in prospect as a result of probable strike settlements.

Because a price printed in a catalog has a rigidity unparalleled in retail stores, these cost increases give the big mail-order companies the shivers. Indications are that they could easily squeeze already narrow margins, turning anticipated profits into losses.

• **"Back Again" Lines**—Many prewar big-volume lines are still missing from the new catalogs. But all four books clearly foreshadow the companies' determination to recapture war-curtailed hard-lines volume and cash in on the big backlog of unsatisfied consumer demand.

Sears has a 1,380-page book, biggest spring issue in 25 years. It offers an increased selection of such "back again" lines as aluminum cooking utensils, electric alarm clocks, electrical appliances, heating supplies, radios, and inner

spring mattresses. Sears' private-brand vacuum cleaners and steel kitchen cabinets also make their first postwar appearance in the book. Still missing are washing machines, electric ranges and refrigerators, nylons, and sheets.

• **Prodigal's Return**—Biggest indication of Sears' intention to bid for volume in highly competitive hard lines is its new low-temperature home freezer. Sears' prices are far below those that prevailed in the industry before the war, ranging from \$167 for the small 6-cu. ft. model to a \$297 top for the 18-cu. ft. size. Similar low prices on refrigerators and other not-yet appliances are expected.

Ward's 1,004-page spring catalog tops last year's book by 250 pages and also features larger offerings of furniture and

hard lines. Standard and portable typewriters are offered, available after Mar. 1. Sporting goods, small electrical appliances, the first band instruments since 1942, screen cloth, vacuum cleaners, washing machines, and two electric ranges are among the items making their first postwar bow.

• **New Ward Policies**—Ward had announced no plans for future operations. But the arrival of Lawrence A. Apple, scheduled to take over early in March as vice-president in charge of industrial relations (BW—Jul. 28 '45, p. 18), should smooth Ward's troubled labor picture. Industry observers believe that any development should improve Ward's goodwill among a substantial section of the public to which the company must look for customers.

Spiegel's spring book of 660 pages, the largest ever put out by the firm, has New offerings include smarter-style apparel (featuring a line of California sports fashions), a home freezer, steel lawnmowers, more washing machines, vacuum cleaners, and radios. There are also increased offerings of electrical appliances and farm equipment.

• **Ambitious Expansion**—The Spiegel book is again departmentalized into sections to correspond with the firm's



HIGH SIGN OF THE POSTWAR TIMES

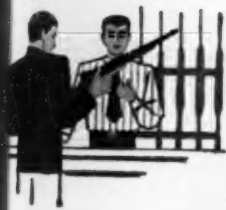
Broadway's king of the spectacular sign designers, Douglas Leigh, believes in throwing a lot of light—five stories of it—on a subject. The new sign under construction in New York's Times Square will advertise the cough mixture REM in electric letters 50 ft. high, the biggest in the world, he believes. It will take almost a mile of neon tubing, more than three miles of electric cables, and 60,000 sq. ft. of galvanized iron to get the 40-ton plug up and working. Constructed to dominate by sheer size, it exemplifies the expected business boom—and competition—in a brightly neon-lighted world.



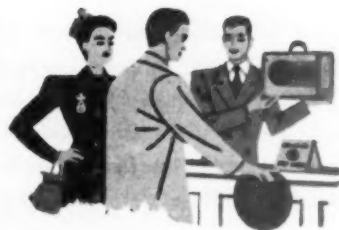
The Holiday Mood



is a Spending Mood



Nothing's too good for HOLIDAY people — for you or the millions of other vacation-conscious Americans who are planning to spend their money and make up for lost fun-time—at home and away.

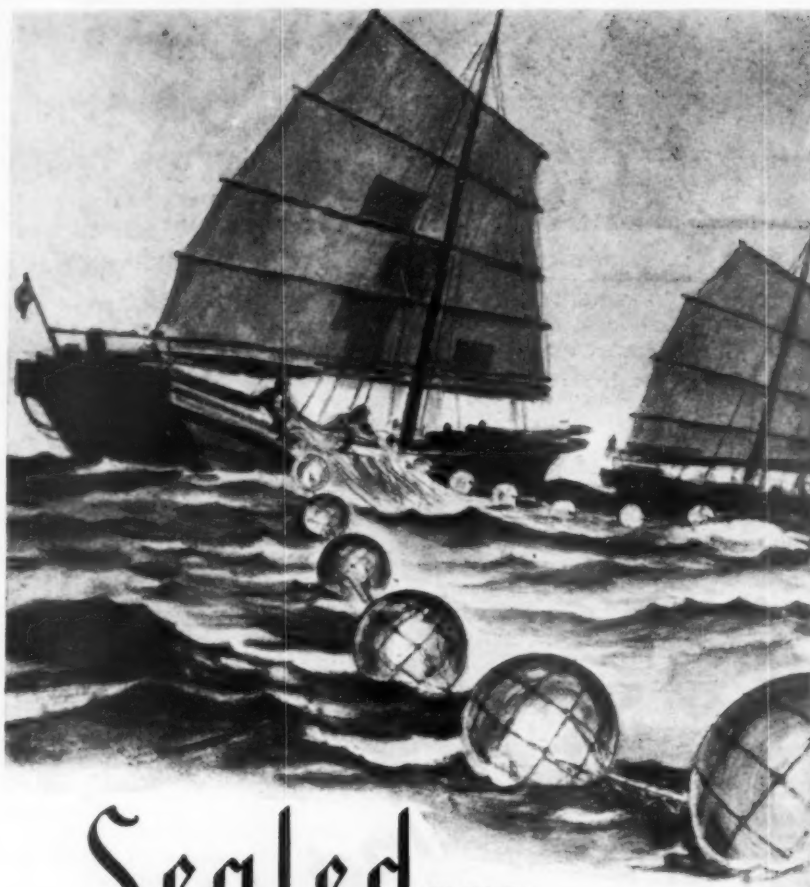


Holiday

The National Magazine of Recreation, Travel and Play, fits right into the all-year vacation mood, and into the sales picture of alert advertisers.

THE CURTIS PUBLISHING COMPANY
INDEPENDENCE SQUARE, PHILADELPHIA 5, PA.





Sealed~~~

TO KEEP NETS AFLOAT

Across the Pacific, glass-blowers are kept busy turning out thousands of water-tight, blue-green "balloons," to be used as floats for fishermen's nets.

Similarly, the sealing principle is put to work for modern industry by National Motor Bearing Company through millions of oil-seal installations at home and abroad—keeping lubricants right where they belong in vital bearings and gears—keeping dirt and moisture out.

Nationals are made to fit shafts of all sizes. Specify them and you benefit by the newest in oil-seal construction. A consultation is sure to repay you for the time it takes, and implies no obligation.

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General Offices: Redwood City, Calif. • Plants: Redwood City, Calif., Van Wert, Ohio • Los Angeles, Calif. (Arrowhead Rubber Company)



WHEREVER SHAFTS MOVE, THERE'S A NATIONAL OIL SEAL TO RETAIN THE LUBRICANT



chains of retail specialty stores who the company plans to operate to balance its mail-order business (BW—Apr. 28, p. 96). Thus far, only women's apparel, home furnishings, and two children's stores are represented in the 115 stores that Spiegel has acquired in April, 1944. Spiegel's hopes eventually to put retail sales volume ahead of mail order volume, duplicating Sears' and Ward's 60-40 ratio.

Alden's has almost dropped its old name of Chicago Mail Order Co. and will again issue a digest for new customers as well as a catalog 12% larger than last spring's. The company continues to expand its scope from women's clothing to include furniture and home lines as rapidly as possible. In the new catalog are a tank-type vacuum cleaner, radios, a toaster, and an electric iron. These are forerunners of a complete line of Alden private-brand appliances, which will later include refrigerators, a washing machine, and home freezer.

• **Rising Sales**—Wartime mail-order operations in general have been mar-



GOING COMMERCIAL

A tiny 1.3-volt dry battery used in Army handset radios has its first commercial user, Dictograph Products, New York, which is using it in Acousticon hearing aids. Two other hearing-aid makers have it on order. The 1-in. x 3/4-in. midjet is activated by zinc and mercuric oxide. Its maker, P. R. Mallory & Co., Indianapolis, says it has longer life, steadier output than usual zinc and carbon cells. It will replace common flashlight batteries but pocket radios, electronic instruments may profit from its minute size.

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In other words, if a manufacturer
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Help for Retailers

OPA relaxes its policy of absorption, offers methods whereby the seller is protected in taking an actual loss.

OPA is easing up a bit on its policy of generally requiring retailers and wholesalers to absorb price increases of manufacturers.

The price agency is moving cautiously, but is mindful that in its battle with extension of the price control act and June 30, it will run into heavy resistance in the subject of "cost absorption." Retailers have complained to Congress that while OPA is holding the line, they are left holding the bag.

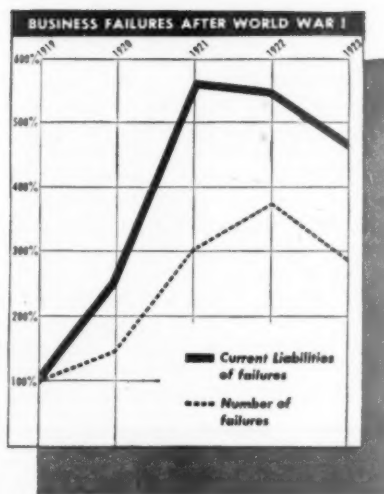
OPA's Chester Bowles has referred to this technique as the "key-note of price control."

Expense Rate—Dealers in textiles, appliances, house furnishings, and furniture were told by OPA last week that they would not have to adhere to absorption to an extent that would require them to sell at a loss. On specific commodities, they will be allowed to substitute their "expense rate" (cost of doing business) for markup, if the latter is over.

The Bowles agency undertakes in this move to apply liberally the "product standard" under which prices of individual products may be adjusted when these prices cease to cover average industry costs of operation. This has been confined hitherto only to manufacturers' costs. Now OPA extends the standard to distributors. Cost yardsticks at mill and factory levels thus find their expense rate their counterpart in retail and wholesale levels.

the Consumer—Following this action is a move to permit price rises that have been granted individual producers to be passed on to the consumer. This will be allowed only if such price boosts do not assume industry-wide proportions. In other words, if a manufacturer has been authorized to take a \$5 in-

Q. *will history repeat on Credit Losses?*



A. *read this new book on Credit Loss Control*

LET'S LOOK AT THE RECORD. After World War I the number of business failures jumped ... to 367% of the 1919 total in three years. Current liabilities of failures jumped even faster ... to 553.7% of the 1919 total in only two years.

WILL HISTORY REPEAT? No one knows. That's why manufacturers and wholesalers in over 150 lines of business carry American Credit Insurance ... which **GUARANTEES PAYMENT** of accounts receivable for goods shipped ... **pays you when your customers can't.**

"CREDIT LOSS CONTROL" ... a timely new book for executives ... may mean the difference between profit and loss for your business in the months and years of uncertainty that lie ahead. For a free copy address: American Credit Indemnity Company of New York, Dept. 42, Baltimore 2, Maryland.



J. T. Fadden
PRESIDENT

American Credit Insurance

Pays you when your customers can't

crease by OPA on a specified item, the distributor may then reflect this gain in the price to the consumer. Before this, he had to swallow the rise, taking a reduced markup.

The main difference between the two actions is that the former is permitted even in the case of across-the-board increases, whereas the latter is permissible only when an upward adjustment has been made in the price of an individual manufacturer's product.

OPA will be on the alert to guard against abuses. If it is found that price gains become numerous enough to endanger the price stability of a single commodity, it is possible OPA will ask stores to reduce margins on that article.

High FM Band Kept

FCC denies the Zenith-G.E. petitions, but allows low-band broadcasts until new sets are ready for the public.

FM broadcasting will be evicted from its old home in the radio spectrum (42-50 megacycles) and will have to move bag and baggage to the 88-108-mc. band to which it was assigned by the Federal Communications Commission last summer (BW—Jun.30'45,p90).

Contending that better service to

rural districts could be obtained in lower frequency, Zenith Radio Co. of Chicago, and General Electric of Schenectady, argued for retention of FM of a portion of the spectrum below 50 mc., in addition to the 88-108 allocation (BW—Jan.12'46,p92). The petitions were denied by the FCC last week, but FM broadcasting will be allowed to continue on the lower band until there are enough high-band sets in public hands. And to bridge the transition period Zenith, Stromberg-Carlson, and several other manufacturers will turn out two-band sets.

• **Tests Made**—Zenith engineers made reception measurements at Danville, Ill., on FM stations in Milwaukee, 76 miles distant. Zenith measurements indicated, according to that company's engineers, that FM signals on the low band (100 mc.) faded out completely by midday.

At the same time measurements made by the FCC at Andalusia, Pa., on FM stations in New York (71 miles away) showed that the FM signal on the low band (46 mc.) was "more steady" than signals at 107 mc., according to Edward W. Allen, Jr., commission engineer, although Allen blamed operational failures for recorded fadings at 107 mc.

• **FCC Reasons**—Although the FCC's final decision denying the Zenith-G.E. petitions will not be out for another week, it is understood that foremost in the commission's thinking were the following factors: (1) FM on two bands would tend, in the long run, to create two distinct services and retard full development of this new type of broadcast; (2) emergency services, such as fire, police, railroads, and forestry, have been located to the 42-50-mc. band, as well as to television; (3) Bell Telephone Laboratories and the Independent Telephone Assn. already have gone ahead with plans to provide rural radio telephone service to remote regions without telephones and that service would be disturbed; (4) two-band receivers and converters will be on the market within 60 days, and listeners may hear FM in the lower as well as the higher band until the 48 stations operating on the lower band change over.

FCC PENALTY REVOKED

The Federal Communications Commission may not use its licensing power to punish a broadcaster, the U. S. Court of Appeals for the District of Columbia held last week in reversing the commission's action against WOKO, Albany, N. Y. The FCC refused last spring to renew WOKO's license because of the Pickard, former member of the old Federal Radio Commission and former

Shirts for Sale, but They Can't Be Sold

All the boxes in this picture contain shirts—shirts like the one which Sidney Rosenblum, vice-president of Louisville's Enro Shirt Co., is holding; shirts retailers would like to have on their shelves; shirts wearers would like to have on their backs.

That these shirts are piled up in the manufacturer's storerooms is OPA's fault, according to Rosenblum, who found himself in hot water when a local newspaper report implied an unwillingness rather than an inability to move the shirts. He denies that they are being held back in expectation of greater profits.

• **The Problem**—The shirts are earmarked for firms in 48 states, Rosenblum says, but can't be moved because of the penalties of the Maximum Average Price regulation. What is involved, basically, is the present difficulty or impossibility of controlling total output so that sales in all price categories average up no higher than the maker's maximum average price of 1943. Some critics contend that manufacturers' production of over-quota shirts in the higher price brackets was deliberate policy.

"By OPA's own admission," Rosenblum retorts for the trade, "fabrics that were available in quantities that could be manufactured into lower priced shirts are not available to most manufacturers, and they are not available in proportion to the lower priced shirts manufactured in 1943." Therefore, he explains, the only way to keep a plant operating is to fabricate the materials available, and pile up the shirts against the day when MAP is lifted.

That Enro's position is not unique is indicated by reports from other



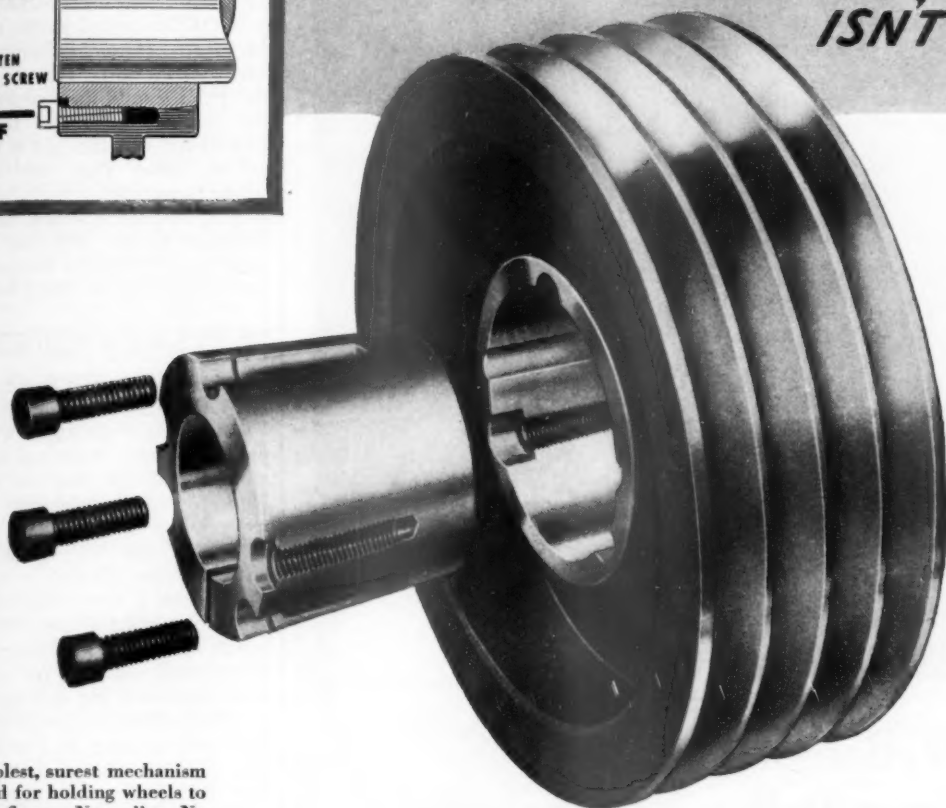
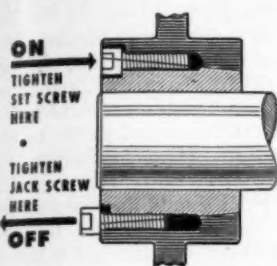
parts of the country. Manhattan Shirt Co. was reported to be adding steadily to a stock of 420,000 shirts.

Earlier this month, in language which many found difficult to understand, OPA purported to show two ways by which a manufacturer could restore his 1943 average.

One way is to sell every item in his line at or below his average price until the surcharge (excess of prices over the allowable average) is wiped out.

• **Second Method**—As an alternative, the manufacturer may make up his surcharge on the installment plan. The second method works like this: If a hypothetical shirt manufacturer's surcharges totaled \$500 on a dollar volume of \$10,000 for the fourth quarter of 1945, his surcharge is equal to 5% of his sales. Therefore, his MAP is reduced by 5% until the \$500 surcharge is worked off. (If his MAP was \$2, it becomes \$1.90, for example.)

Simple, ISN'T IT?



New **TAPER-LOCK** Sheave PATENT APPLIED FOR

Easy on—easy off—locks fast to the shaft! ALL the advantages you've ever dreamed about in a sheave are *here*—in the simplest, quickest acting mechanism ever developed for the purpose!

For full details call your local Dodge Transmissioneer. You'll find his name listed under "Power Transmission Equipment" in your classified telephone directory. Or write

DODGE MANUFACTURING CORPORATION, MISHAWAKA, INDIANA

DODGE

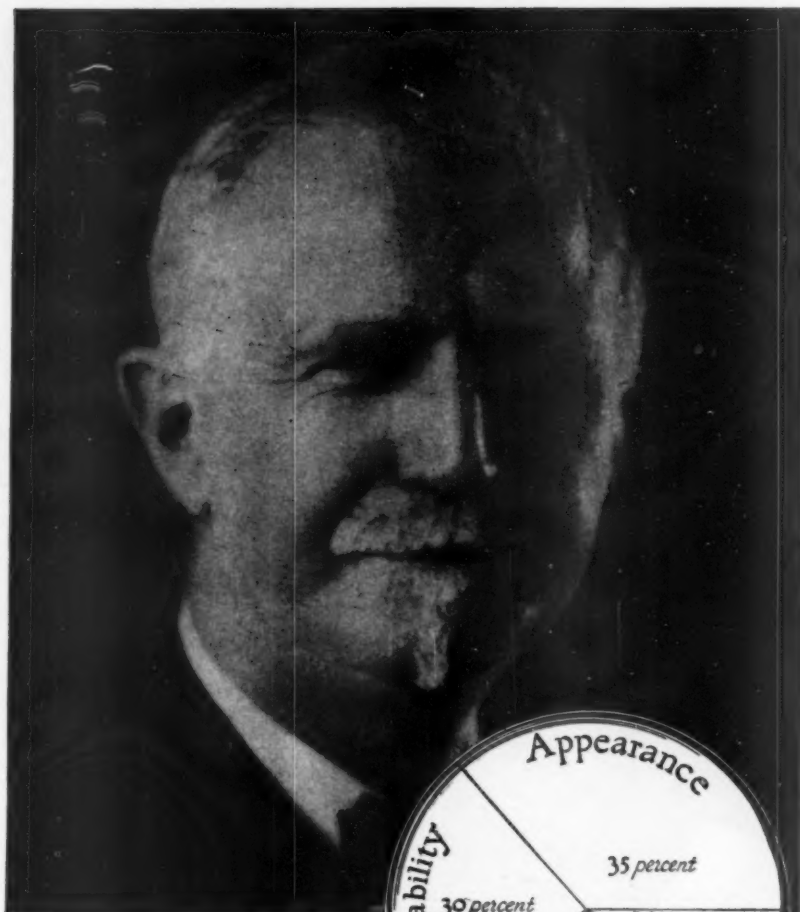
MISHAWAKA



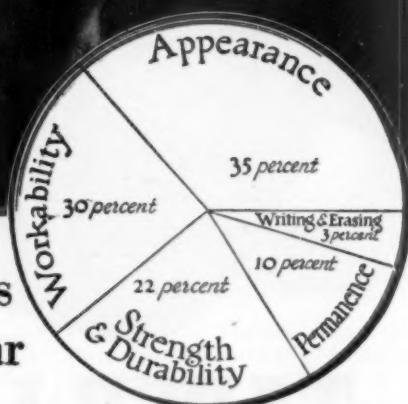
SIGN OF THE DODGE TRANSMISSIONEER
There are 257 Dodge factory graduate Transmissioneers, located in principal cities, to show you NEW and BETTER ways of transmitting power. See your local classified telephone directory.



- The simplest, surest mechanism ever devised for holding wheels to shafts! No flange. No collar. No protruding parts.
- The Taperlock Sheave mounts as a complete unit. Slip it on, line it up and tighten *while sighting*. It's in place on the first try!
- The bushing is wedged into the sheave by means of set screws—with a firmness equivalent to a shrunk-on fit—whether the shaft is standard or normally undersize.
- The Taperlock runs *true*. The bushing extends the entire length of the hub; it provides a *full* bearing surface.
- Close mountings are made possible. No flange nor collar nor other device is required at either end of the sheave hub.
- The Taperlock "unlocks" with less effort than any other sheave—due to its special taper.
- Taperlock Sheaves will be stocked by Dodge Transmissioneers in principal cities—and will be available in ALL stock sizes.



Roger W. Babson's Bond Paper Dollar



As the paper and printing world might well have expected, Roger W. Babson is the first man to get down to brass tacks regarding the characteristics in bond paper that are most important to the user. Mr. Babson has made a pie chart or "bond paper dollar" that shows in their relative proportions the really important qualities the buyer should consider when he selects the best bond paper to use for his business. Appearance and workability are the

two most essential properties in bond paper, according to Mr. Babson. He rates appearance at 35 percent in his bond paper pie chart, and workability 30 percent. The strength and durability of the bond paper are given a 22 percent rating.

In considering the importance of these remarkable findings by Mr. Babson, one should remember that he uses vast quantities of bond paper in his own business and at the famous Babson Institute.

CERTIFICATE BOND

Manufactured by Crocker-McElwain Co., Holyoke, Mass.

The Certificate Family of balanced papers—bond, opaque, ledger and index—has the characteristics most important to the user in the proportions Mr. Babson specifies in his pie chart

president of Columbia Broadcasting System, held a 24% interest which was not reported to the commission (BW-Apr. 7'45, p100).

In a 3-to-2 decision written by Justice Wilbur K. Miller—giving his first opinion in a radio case—the appellate court found that the FCC, by ignoring WOKO's 15 years of "public service," acted arbitrarily.

WOKO is owned jointly by Raymond M. Curtis, Harold E. Smith, the Price Co., and Pickard. The court held that the FCC should have proceeded under the criminal sections of the communications act, if it thought it had cause for action, rather than use its licensing power to punish.

FCC intends to appeal the case to the Supreme Court. Pending final determination, WOKO's temporary license has been extended until Mar. 30.

TIE-IN SALE AVOIDED

Eureka Vacuum Cleaner Co.'s practice of merchandising its home cleaning "system" as a package, with a single price, has been construed by OPA as a violation of the ban on tie-in sales. Henceforth, in response to the agency's request, the various items will be tied off separately. They include an upright vacuum cleaner, a set of accessories, and a tank cleaner—a semistationary, cylinder-shaped cleaner with nozzle at the end of a long hose, which is especially adapted for cleaning curtains, furniture, and ceilings.

OPA finds no fault with the combination sale as long as Eureka makes clear that a customer does not have to buy the package to get a vacuum cleaner.

MACY BUYS IN BROOKLYN

Expansion of R. H. Macy & Co. moved along briskly this week with the company's purchase of a 55,000-sq.-ft. site in Brooklyn on which it will build a branch store that will include parking facilities within the building.

This will make the fourth Macy branch for the New York area: a Parkchester (Bronx) store has been in operation for several years, a Jamaica branch is under construction, and land has been purchased for a White Plains store (BW-Aug. 18'45, p96).

The expansion is in line with current trends—pioneered by mail-order houses—retail outlets—of branch stores away from congested areas and with potential annual sales volume of \$2 to \$4 million.

Reports persist that Macy's will open a Chicago store, but the latest version is that it will build its own instead of taking over any existing department

UGLY DUCKLING OF THE AIR WAR

The Flying Jeep

"We need all the Ducks we can get down here," declared the Marine Corps major who piloted one of the two amphibians flying from Henderson Field, Guadalcanal. Among other duties performed, these two Ducks accounted for no less than twenty dramatic rescues at sea. To pleas for "more Ducks," Columbia Aircraft workers at Valley Stream, L. I., responded with ever-mounting efforts, setting an outstanding record for performance in war production.

Navy-named "J2F-6," Columbia's Duck earned a unique place in the affections of our fighting men along far-flung, remote battlefronts. When a tough flying job had to be done, with landing and takeoff from tight spots and rough waters, this sturdy amphi-

This was too fast for the castaway who tried to swim it. Finally, the mechanic dived overboard with a rope and hauled him in. All three braced for the takeoff, which was accomplished safely in a series of bounces on slamming waves.



Transmutation

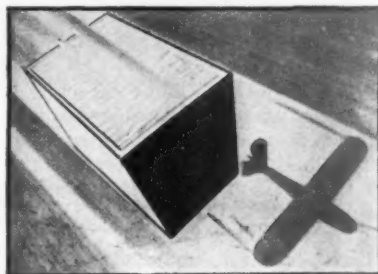
Columbia's plane was an ugly duckling alongside the sleek fighters and stately bombers which handled the fighting part of the war. But, as the story goes, the unbeautiful Duck proved its worth and is now being transmuted, under Navy supervision, into a clean-lined amphibian which will have all the rugged qualities of its predecessor, with greatly increased load and range. Like the Duck, Columbia's new aircraft will "go where other planes won't and do things other planes can't."



bian consistently came through. Widely used for rescue, scouting, photography and urgent transport of medicines, ammunition and food, the Duck was dubbed the jeep of the air.

One of Many Rescues

One example of its work will suffice to explain how welcome a sight a Duck was to Navy, Marine Corps and Coast Guard men at a time when our communications were stretched to the limit. A Duck was called to the rescue of a Marine officer who had been two days in the water and four days on an isolated coral strand. Three violent combers hit the Duck when she was landing, shaking up pilot and mechanic. Both were surprised to find that her metal hull was taking no water. The pilot had to taxi gingerly to keep off the reef.



Please Don't Inquire Yet...

Indicative of the important role to be played by the new Columbia amphibian is the fact that its future commercial uses cannot yet be advertised. Inquiries, therefore, are *not* invited for the present. **Columbia Aircraft Corporation, Valley Stream, N. Y.**

It's a reasonably safe prediction if Macy's invades the Loop, the wing of branch suburban stores will follow. Macy's recent purchase of Connor, Moffat & Co. in San Francisco (BW-Jul.14'45,p32) would be a signal for a similar hen-and-chicks operation.

MARCUS EXPANSION?

Repeated denial of rumors that Neiman-Marcus, big Dallas (Tex.) specialty shop, will expand into other cities failed to convince retail circles that an expansion is not in the cards—be not right away, but at least within the next five to ten years.

The Marcus family, famous for its success in transplanting high-style, high-priced women's fashions to the Texas capital, denies any immediate plans beyond a large-scale expansion and facing that will be done on the present store. Nevertheless, it is generally expected that the family has purchased property that would make suitable locations for stores in both Houston and San Antonio.

Another speculation (though also emphatically denied) is that Neiman-Marcus will eventually establish a branch in Mexico City. Many Mexicans are enthusiastic about this possibility, the firm's executive vice-president, Stanley Marcus, visits the city frequently. The Neiman-Marcus style which have been put on in Mexico City (BW-Feb.10'45,p116) has been smashing successes.

Many a furniture retailer literally "dressed it with mirrors" when wartime shortages made it hard to get enough merchandise to sell; now even mirrors are scarce because of the recently ended week strike in the plants of the Pittsburgh Plate Glass Co. and Libbey-Owens-Ford Glass Co. (BW-Jan.26'46, p10). Appearance of "Eve," new women's magazine for chain store distribution announced last fall by Family Circle, Inc., is still months away. Because of shortages of paper and printing capacity, publishers have not even reached the dickering stage with hoped-for buyers like Kroger Grocery & Bakery Co. . . . Part of San Francisco's determined bid to make its mark as a fashion center is the annual award named after the "Oscars" awarded movie stars—which the Manufacturers & Wholesalers Assn. of San Francisco will present to the fashion writer or editor whom it considers to have done the year's best job in promoting the city's apparel industry. First award will be made this March.

LABOR

A.F.L. and Lewis Bid for Power

Return of grizzled U.M.W. leader to federation's fold is deceptively calm. It heralds the beginning of a showdown fight on C.I.O. strongholds. It spells impending trouble.

The ceremonials attending the return of John L. Lewis (see cover) and the United Mine Workers of America to the American Federation of Labor this week were quiet and orderly. The grizzled leader, at 66 the most dramatic and controversial figure in the American labor movement, completed a ten-year circle by sitting down at the oval table in Miami's Colonial Hotel where A.F.L.'s reigning executive council was meeting, thus accepting a place on the council and the thirteenth vice-presidency of the federation.

• **Obvious Even in Disguise**—Although the drama was underplayed at Lewis' insistence, no one believed for a moment that the business was as routine as it appeared. A historic turn had come for U. S. unionism which Lewis well knew could not be disguised simply by the omission of trumpets and cymbals. If he chose to play it down, it was because doing so was a tactic in a bold, far-reaching plan. Everyone knew that that plan called for Lewis' making a bid for the leadership of all of American labor under the hegemony of A.F.L.

But the questions that were being asked in places as far apart as the Duquesne Club in Pittsburgh and the teamsters union hall in Tacoma, where strike news in the papers had already made the labor situation a topic of pre-eminent importance, were how, and when, and where, will Lewis make his move.

• **Like a Snowball?**—Those expecting a big splash are apt to be disappointed. There is no place for such a thing. No arena can be constructed in which the A.F.L. forces, under Lewis leadership, will meet the C.I.O. forces and battle to a finish, winner take all.

Each non-A.F.L. union, C.I.O. or independent, represents a separate citadel which must be stormed or mined or laid siege to depending on the strategy dictated by its circumstance. The most the A.F.L. can hope is that the campaign to absorb the C.I.O. and independents will take on the character of a snowball rolling downhill.

• **No Single Formula**—In some C.I.O. circles, the Lewis name still has some

of the old magic and all he will have to do, when he decides he's ready for it, is crook a finger and have some local union in autos and rubber or glass or retailing respond by applying for affiliation with U.M.W.'s unclassifiable catch-all District 50. This section of Lewis' organization embraces everything embraceable including uranium miners, airline mechanics, railway trainmen, toy makers, grocery clerks, etc., etc.

In other circles, better jobs, prestige, and money will secure the loyalties of ambitious leaders. But there is no single formula which the Lewis-led A.F.L. will use in seeking to decimate the C.I.O. District 50 will prove a useful recruiting mechanism, but the federation will not hesitate to charter new unions if that also seems to be an effective method.

• **Trouble Expected**—Labor's great jurisdictional war is about to begin, and the stakes will be power of a magnitude that no union leader has yet enjoyed. Em-

ployers, who will be largely relegated to a bystander role as that war unfolds, will not on that account be immune from casualties. The attempted redistribution of labor control will catch many employers in the middle of a scrap of their making.

Whether an ultimate Lewis victory carrying with it a victory for his philosophy which is much more prominent than that of the C.I.O. leader he wants to retire—will be worth the cost, is a question for the future. Lewis, for example, has no quarrel with employers who want price increases, plant mechanization, or greater labor productivity. For the present, the outlook is trouble.

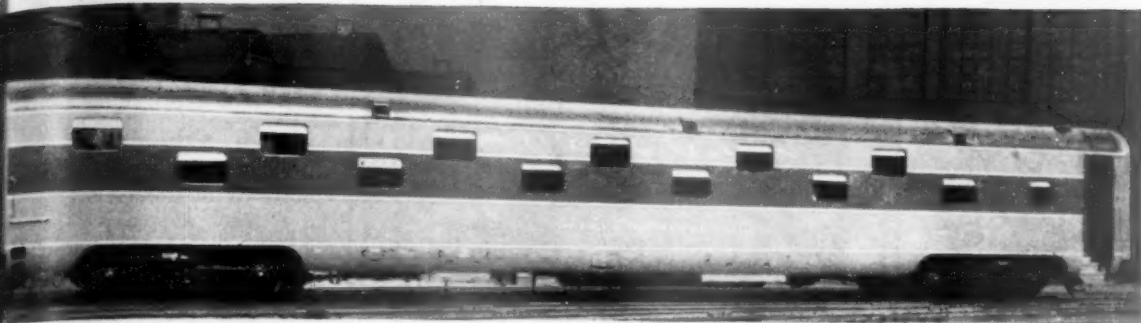
• **Odds Favor Federation**—On all points, the A.F.L. is a favorite to win a showdown fight with its rival. It has more money to spend, it has more members, its hard core of strength in the construction trades looks forward to operating in an industry expanding in contrast with the C.I.O.—from its wartime levels. And it has now in Lewis what it has lacked since 1936, a colorful, fighting leader, regardless of what he takes over the presidency from William Green or functions only as a general. But such struggles are not won on points alone. There may be no clear-cut outcome.

Lewis, formidable when he departs from the federation, returns with his reputation enhanced. In 1935, he headed ten A.F.L. union presidents who constituted themselves the Commis-



HOW TO MAINTAIN WARM FEELINGS

Although strikebound, Inland Steel contemplates tomorrow and continuing good labor relations. At its Indiana Harbor (Ind.) plant, it not only provides shivering pickets with salamander stoves but delivers coke by the truckload (above) to stoke them—even permits use of a plant office as strike headquarters. And at Atlanta, Atlantic Steel Co. pickets are warming themselves around a company-donated stove. Results: no vestige of picket line disorder.



1. Private rooms at bargain prices! That's what you'll get in new Duplex-Roomette cars like this. There will be

other new kinds of sleeping cars, too, but let's look now at all the luxury you'll get at bargain prices in . . .

The car with the staggered windows

2. A private sitting room! That's what you'll ride in when these new sleeping cars go into service.

This air-conditioned room of your own will be equipped with every comfort and convenience that Pullman's mastery of travel hospitality can provide. And kept as spick-and-span as only Pullman's expert "housekeepers" can keep travel accommodations.



3. A private bedroom! That's what your air-conditioned sitting room becomes when it's time for some good, sound sleep!

Just touch a lever and presto! a big, soft bed comes out of hiding—with crisp, clean sheets all ready to slide into. What a wonderful rest you'll get as you speed safely and dependably toward your destination!

4. A bargain price! The new design of this new Duplex-Roomette car (indicated by its staggered windows) brings the cost of traveling in a private room way down.

Between Chicago and Detroit, for example, you could enjoy all this luxury, at present rates, for only 30c more than the price of a lower berth.

GO PULLMAN

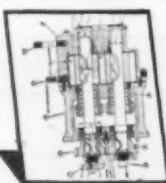
THE SAFEST, MOST COMFORTABLE WAY OF GOING PLACES FAST—THE SUREST WAY OF GETTING THERE IN TIME!



A typist copies this in 1/2 hour for **60¢**



A photographer copies this in 1 hour for **3¢**



A draftsman copies this in 2 days for **15¢**



PORTAGRAPH
PHOTO-COPY

copies all 3 in 12 minutes for **18¢**

Portagraph is the versatile new servant of business that copies anything printed, written or drawn!

... This "handyman", one of several methods of business photography perfected by Remington Rand, is saving thousands of drafting room hours and speeding the processes of reconversion.

... In business offices Portagraph replaces old-fashioned copying methods to do scores of daily tasks with

the accuracy and speed of photography at a few cents per copy.

... Checks, letters, sales charts and graphs, invoices, reports, legal papers, drawings, tracings and pages in bound books can be reproduced by any office worker.

For a clearer understanding of the economies obtainable with business photography in its various forms, why not talk with a Remington Rand Photographic Records Specialist?

Business photography in all its forms



Film-a-record

For photographically recording thousands of records an hour on 16 mm. film. On lease or contract.



DEXIGRAPH

Camera copies documents of every type in full or reduced size at high speed on sensitized paper.



PORTAGRAPH

Makes contact prints of anything printed, written, drawn on sensitized paper, cloth, film. All sizes.

PHOTOGRAPHIC RECORDS DIVISION

Remington Rand

Room 1603

315 Fourth Avenue, New York 10, N. Y.

for Industrial Organization. The avowed purpose was to "organize the unorganized" and they began, the year, by sending organizers into the towns. That opened the biggest and most successful unionizing drive in the nation—or for that matter, the world had ever seen.

• **Broke With Roosevelt**—One by the hitherto impregnable bastions of the open-shop were converted to union strong points. And behind the whole movement, feeding the tide of himself being swept on by it, was Lewis.

In the late spring of 1937, the C.I.O. had its first major setback—the Steel strike, which, a year later, was converted into a great union victory when the independent steel company went C.I.O. But the steps which Lewis took into the A.F.L. started during that strike. It was then that he broke with the late President Roosevelt whose neutrality in the strike seemed to Lewis base ingratitude.

When, in 1940, he staked his C.I.



HE TOOK OVER

The Dept. of Agriculture's "czar," Gayle Armstrong (above) is busy this week getting packing house back into full production. He is Secretary of Agriculture Clinton Anderson's choice for the job when President Truman ordered government seizure of strikebound plants to replenish the nation's dwindling meat supply. Assured strikers of wage increases recommended by federal finders. A New Mexico rancher, Armstrong is assistant administrator of production and marketing for the Dept. of Agriculture and vice-president of the Commodity Credit Corporation.

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...ership on defeating Roosevelt and
...or refused to follow his political
...ership, he took his miners' union
...to the isolation from which they have
...st now emerged.
...A Perfect Weapon?—In the last five
...ars he has dedicated himself to ad-
...ancing wages in the coal industry, and
...uilding up his District 50 to the point
...ere it is now, with close to 250,000
...embers, almost a labor movement by
...elf. He is back in the A.F.L. with
...istrict 50 intact after a two-year quib-
...e over what would become of it if
...e returned to the craft-minded federa-
...on. After wrangling over the matter,
...e federation finally concluded that
...art of the reason why Lewis would be
...ch a valuable asset in the war on the
...I.O. was that his District 50 might
...m out to be the perfect weapon for
...itting its rival to pieces.

Wage Patterns

Lessons learned in oil
seizure reflected in union and
government attitudes in packing
house negotiations.

Wage dispute settlements since the
war's end have indicated clearly that
management can count on no federal
formula for determining how much pay-
checks must be raised to gain industrial
peace. The wage picture today is one of
piecemeal agreements, by companies or
industries, continuing a trend of 15%
20% increases set two months ago
(W-Dec.15'45,p93).

Two Avenues—Agreements have been
reached along two distinct lines:

(1) Direct negotiations, without gov-
ernment intervention, reaching such
settlements as those last week end (page
5) between Ford (18¢ an hour or
out 15%) and Chrysler (18½¢ an
hour or 16.7%) and the C.I.O. United
Auto Workers, and between Radio
Corp. of America and C.I.O.'s United
Electrical Workers (17½¢ an hour).

(2) Negotiations in which govern-
ment intervention—particularly by fact-
finding machinery and seizure—takes a
dominant role. What happened in the
1945 oil refineries and pipelines wage
dispute, the first to run its full course
under the fact-finding pattern, takes on
added significance now that other ma-
jor disputes—notably that in meat pack-
ing—have turned into the same lane.

Policies Tested—The dispute between
the oil refining companies and the Oil
Workers International Union (C.I.O.)
gained importance because it was the
nation's first major postwar strike, and
because it put to a test the policies on

Now is the time for some good SOUND thinking



INDUSTRIAL SOUND SYSTEMS



INTER-OFFICE COMMUNICATION



CHURCHES



HOTELS



SCHOOLS



HOSPITALS

Yes—NOW—when you are planning
new construction, renovation—this is
certainly the time to weigh the ad-
vantages of an RCA Sound System.

During these last few busy years
the many advantages of sound sys-
tems have been well demonstrated.
Service and emergency announce-
ments as time-savers, paging facilities
for quickly contacting key personnel,
music from records or centralized
radio for enjoyment and increased
efficiency, inter-communication sys-
tems—they've all proved their worth
beyond measure.

RCA Sound Systems are engineered
to provide these services with top
efficiency . . . designed to suit specific
needs . . . built of "matched" com-
ponents that really work together be-
cause they're all made by RCA.

* * *

For further details consult the
classified section of your telephone
directory for the address of your local
RCA Sound Equipment Representa-
tive, or write direct to Dept. 21-B,
RCA Sound Equipment Section,
Radio Corporation of America,
Camden, N. J.



RCA SOUND SYSTEMS

RADIO CORPORATION of AMERICA

ENGINEERING PRODUCTS DIVISION, CAMDEN, N. J.

From  a single tool

or part...

to complete machines
in quantity...

TAFT-PEIRCE CONTRACT SERVICE

can meet your needs now

For your new product, or your old, the Taft-Peirce Contract Manufacturing Division is ready now to take over any part of the job—or all of it, tooling up and producing quantity lots to the dot and date of your specifications and schedules.

Here you can have built, promptly and precisely to your requirements... singly or in production lots... parts, tools, or complete assemblies for any product in any field, from the simplest device to complete machines like those shown above.

You see, contract manufacturing and tool work has been our business for seventy years. It still is.

For a quick picture of our unparalleled facilities, write for the illustrated brochure: "Take It To Taft-Peirce." Address: The Taft-Peirce Manufacturing Co., Woonsocket, Rhode Island.

FOR TOOLING, ENGINEERING, CONTRACT MANUFACTURING

TAKE IT TO TAFT-PEIRCE



which the federal government was reluctant to keep industrial reconversion proceeding smoothly. Thus, the oil dispute resulted, successively, in direct intervention of the U. S. Dept. of Labor; a federal seizure of struck properties; and in the first use of President Truman's fact-finding plan to reduce labor strikes.

C.I.O. oil workers struck to enforce their demand that take-home pay remain the same when work hours declined from 48 a week to 40 hours. That would have meant a 30% increase in wages; companies offered 15%. First scattered wildcat strikes soon shaped up as an industry-wide walkout.

• **Novel Proposal**—Lewis B. Schwellessbach had just become Secretary of Labor. One of his objectives was to revitalize the Dept. of Labor, and the first step as he saw it was to act personally in the oil dispute, to regain the initiative which had been dissipated in the twelve-year term of his predecessor. The result, however, was disillusioning.

Schwellessbach proposed, as a basis for settlement, that management grant the 15% raise it had offered, and submit to arbitration the union's demand for the difference between 15% and 30%. The union agreed quickly, but the companies turned the proposal down flat. They would arbitrate, they said, only within the entire 30% range between existing wages and the union demand.

As a result of the impasse, President Truman on Oct. 5, 1945, ordered the Navy to seize 53 oil refining plants and pipelines, and to operate them pending a settlement of the labor-management disputes. Strikers returned to their jobs reluctantly on orders from their national president, O. A. Knight.

• **Negotiations Lag**—A second ill-advised move by the government was soon apparent. Workers getting plants back into production were jolted by a Navy announcement that it would not bargain with the union on terms of a new contract. Until oil labor and management reached a wage agreement, the Navy said, workers would receive scales paid prior to the walkout.

Result was that management had little incentive to press for a settlement. Its prerogatives were, at most, only inconvenienced by the necessity of having decisions approved by naval administrative officers. Profits still accrued. Consequently, for two months companies stood pat, without major defection, on their initial 15% pay boost offer.

• **Strikebreaking Is Charged**—Seething tempers in the union finally boiled over two months later, when Knight charged that the union had been doublecrossed. President Truman, according to Knight, was using the Navy for strikebreaking (BW—Dec. 8 '45, p98). The union had assumed that if it accepted seizure "the

ident would set up machinery to
the basic wage issue," but in-
el, said Knight, the seizure was work-
against the union.

Knight warned bitterly that "what
happened to the nation's oil work-
is a threat to every other union.
itary force used to break the oil work-
strike can be used to break yours,

Sinclair Signs—The words had a men-
ring in Washington, already wor-
by the new General Motors strike
the imminence of steel, electrical
manufacturing, and other possible walk-
Truman had just proposed fact-
ing. He followed up almost immedi-
with appointment of a three-man
finding panel to look into the oil
ate. The implication was that the
ers would be given whatever raise
finders suggested.

Almost at once, Sinclair Oil Co. and
union agreed on an 18% raise (or
at 25¢ an hour) and a 40-hour week.
Navy released its properties with
of. Several other refinery settle-
ts followed at that figure, even be-
fact-finding hearings got under way.

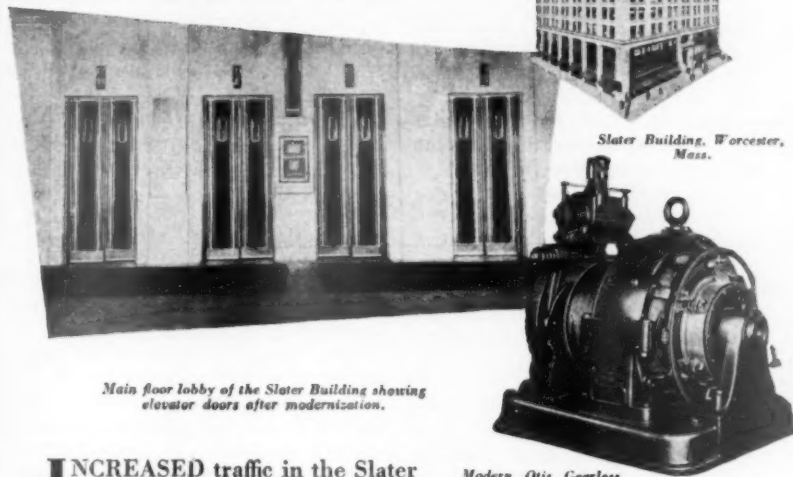
Odd Coincidence—The panel, headed
Dr. Frank P. Graham, former public
ber of the National War Labor
ard, centered its study on such mat-
as changes in straight-time hourly
ings, wholesale prices of petroleum
ucts, hours of work. Company abil-
to pay was not covered.

Then, one month after the Sinclair
settlement, the oil fact-finders is-
their recommendation of an 18%
for the industry. Major compa-
began settling at 18% without
osition, but the figure was immedi-
attacked by the oil union as an
odd coincidence" or "statistical magic"
"casts doubt upon whether it [the
el] appraised impartially the indus-
ability to pay and the workers'
in maintaining their purchasing
er."

Lessons Learned—Knight further
aged that the oil panel had reduced
entire fact-finding approach in in-
trial disputes to an absurdity." Noth-
had been gained by either seizure
act-finding, he intimated. Collective
gaining, with Sinclair, in the end
set the whole settlement pattern.

When the second—and larger—post-
seizure was decided upon to get
supplies moving again, experiences
the oil case were reflected immedi-
ly in attitudes of both the govern-
ment and the C.I.O. union involved.
The union refused to return to work
about assurance that speedy wage in-
creases would be forthcoming; the gov-
ernment hastily guaranteed that it
would heed the recommendation of
finders.

COMPLETE Modernization OF ELEVATORS with minimum SERVICE interruption



Main floor lobby of the Slater Building showing elevator doors after modernization.

Slater Building, Worcester, Mass.

Modern Otis Gearless Elevator Machines of this type replaced old hydraulic machines.

INCREASED traffic in the Slater Building gradually exceeded the handling capacity of the original four hydraulic-plunger elevators and it became necessary to consider faster and more efficient elevators. After a complete survey and analysis by Otis, the owners decided to replace the equipment with four gearless elevators with Otis Peak Period Control.

The problem then was how to make the change with a minimum of service interruption. The solution was the erection of a new penthouse over the old hoistways and the installation of the new machines, controllers and other penthouse equipment before taking any of the old elevators out of service. Then, as the new cars and entrances were installed, the changeover to the new machines was quickly effected—with a minimum of discontinuance of elevator service.

The efficiency of the new Otis elevator service is greatly appreciated by tenants and visitors.

While the primary object of any elevator modernization project is to put or keep the building "on its feet" as a profit maker, no two cases are exactly alike. One may require little more than a "beauty treatment"—more attractive entrances or cars, or both. Another, equipment for smoother, quieter operation; or new machines to bring about greater speed—for quicker response to calls, to make more trips,—handle more passengers. Some may involve several phases.

A survey, plan and estimate covering your specific modernization needs incurs neither cost nor obligation. For the finest in vertical transportation tomorrow, call the nearest Otis Office today.



THE LABOR ANGLE

27-1

While the A.F.L. went ahead with its executive council meeting in Miami (page 86), the C.I.O. canceled its executive board meeting scheduled for Jan. 29 in Atlantic City. The reason for the different courses of action may be found in the strike statistics. Assuming a six-million-member A.F.L. and a five-million C.I.O. (pretty conservative figures), less than 1% of the federation's members were on strike at the January peak while the C.I.O. had a shade over 27% of its duespayers on the picket line.

Bargaining

Overshadowed by more dramatic events on the labor front, the hearings which opened in Detroit this week under the chairmanship of Gerard D. Reilly, National Labor Relations Board member, may nevertheless prove to be among the most important developments incubated by the current labor crisis. Reilly is about to determine just what is that "collective bargaining" which the Wagner Act makes legally incumbent on employers.

NLRB and the courts have held that when an employer is approached by a labor organization which is the certified bargaining agent for his employees he must bargain in good faith with that organization. C.I.O.'s United Auto Workers has formally charged the General Motors Corp. with refusal to bargain in good faith. U.A.W. alleges that the company is in violation of the law because, says the charge, it displayed contempt for the negotiation proceedings which preceded the current strike, made an illusory wage offer in bad faith, demonstrated its intent not to reach an agreement, and refused to discuss its ability to pay, its profits, and its price position.

Following established procedure, NLRB made a preliminary examination of the union allegations, then authorized its Detroit director to file a complaint against the company, thus opening the way for a formal hearing. Word came back to Detroit that Reilly failed to agree with the two other NLRB members that the proceedings against the company should be initiated and that, in

order to have the board present a united front on what was admittedly an issue of the greatest importance, NLRB took the highly unusual step of assigning a board member to conduct the hearing.

U.A.W. has sharply protested the assignment of Reilly as trial examiner, demanding that he be replaced by someone "who is without prejudice against the C.I.O." The union charges that Reilly's views and actions are not in harmony with the policies and principles of the NLRB, but it is proceeding with the presentation of its case before him.

The union's protest tactics are aimed at a double-barrelled effect: to push Reilly into a lean-over-backward-to-be-fair position toward the union's case, and to prepare the ground for an appeal if his decision goes against it. The C.I.O. is determined to spell out the meaning of an employer's collective bargaining obligations under the law in terms which—if applied to such a situation as the G. M. strike—would put General Motors Corp. clearly in violation of the Wagner Act if it persisted in its refusal to settle on a basis satisfactory to the union.

Split

Engaged in a battle with industry which would normally mean the mobilization of all its forces for concentration on a single objective, the C.I.O. is weakened by a new outbreak of the old left-wing right-wing fight which has always seethed below the surface. Reid Robinson, president of the important Mine, Mill & Smelter Workers Union (nonferrous metals), one of the six vice-presidents of the C.I.O., and a left-wing stalwart, faces a demand from four board members of his own union that he resign his office on the ground that he attempted to get \$5,000 from Charles Pack, general manager of the Doehler-Jarvis Corp., with which the union has a contract.

Long under attack by anti-Communist elements within the M.M.&S.W., Robinson is the first important C.I.O. official to be charged with corruption. Followers of the two conflicting ideologies within the C.I.O. are forming battle lines for a fight over Robinson's removal.

Escalator Scale

Adjustments up or down
living cost indexes change
called for in St. Louis garment
contract. Labor press critical.

Employer members of the Associated Garment Industries of St. Louis, who have contracts with the International Ladies Garment Workers Union (A.F.L.) in the silk and wool dress, coat and suit industries, jubilantly announced recently the signing of its "most progressive" contract with I.L.G.W.U. The contract permits raising and lowering wages as living costs and business prosperity change.

• **A Precedent?**—There were growing doubts, however, that the contract would establish any new precedent, and even that employers in St. Louis would enjoy the full measure of benefits that might be due them during the life of the agreement, written to continue until Jan. 5, 1951.

The St. Louis agreement is patterned basically, after bilateral "escalator" contracts common with the International Assn. of Machinists (A.F.L.), suspended after the first World War, but discarded in a subsequent flood of wage reductions. Since then, the few contracts keyed to living costs (including a number in effect covering I.L.G.W.U. workers in the East) have been unilateral. Under them, workers can demand higher wages as cost-of-living figures rise, but lowered living cost indexes do not give management the right to demand wage reductions.

• **Under Fire**—Acceptance of the bilateral plan by the St. Louis I.L.G.W.U. negotiators drew fire immediately from the general labor press, which saw it as an opening wedge for a wage-cut campaign after a first bloom of prosperity. National I.L.G.W.U. officers—who must pass on any contract before it goes into effect—were significantly silent.

The St. Louis contract gives 10% wage boosts for cutters and sample makers and \$2 a week for all other workers, and specifies that wages are to be stabilized at the new rates for two years. For the last three years of the agreement, variations of 5% one way or the other in living cost indexes, and changes in the prosperity of the clothing market, are to be factors on which either employer or union can petition for wage adjustments.

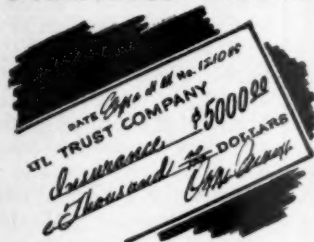
• **Yardstick**—The yardstick of prosperity to be the business experience of the majority of manufacturers in the market, and disagreement cases are to be settled by arbitration.

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WHY NOT HAVE IT!

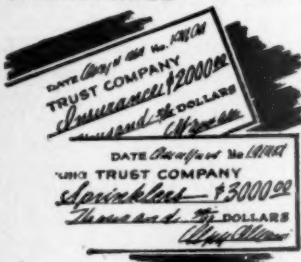
You know that Grinnell Automatic Sprinkler Systems are industry's most effective weapon against fire. But do you know that they pay for themselves in reduced insurance rates and, over a period of years, show a substantial return as a capital investment? Examine this typical case:

9-YEAR PERIOD — Insurance Costs Without Sprinklers — \$45,000



The insurance premium on the unprotected property was \$5,000 a year. Over a 9-year period, \$45,000 was paid out — an ever-existing expense with no return except in the dreaded possibility of fire.

9-YEAR PERIOD — Total Cost of a Sprinkler System and Insurance — \$45,000



When a Grinnell Automatic Sprinkler System was installed, the insurance premium was reduced to \$2,000 a year — resulting in an annual \$3,000 saving which was applied against the capital investment. In this 9-year period, the installation paid for itself.

AFTER 9 YEARS — Sprinkler System Investment Earns \$3,000 Annually

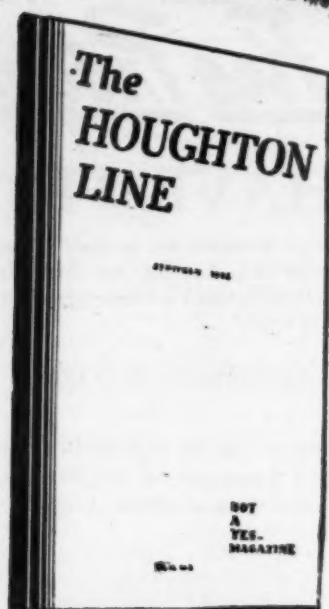


After it was paid for out of insurance savings, the Grinnell Automatic Sprinkler System saved and earned \$3,000 each year. Over a 20-year period, for example, it has constantly safeguarded the property against fire — and has earned the substantial sum of \$33,000 for the business. With proper care, it will continue to protect and assure insurance savings during the life of the property!

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UNIQUE IN INDUSTRY

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Wage-Hour Ruling

Supreme Court approves coverage of employees working on equipment to be utilized by firms in interstate commerce.

Supreme Court support for a broadened interpretation of the Fair Labor Standards Act this week gave the Labor Dept.'s Wage & Hour Division a clear-ahead signal for including in the act coverage employees of companies who manufacture, install, and service machinery or equipment to be used by other companies to produce goods in interstate commerce.

• **Ruling Upheld**—The court, affirming unanimously a decision of a U. S. Circuit Court of Appeals in a suit brought by the Roland Electrical Co., Baltimore, against the Wage & Hour Division, held that the purpose of the act is not so much to regulate interstate commerce, as such, as it is to prohibit shipment of goods in interstate commerce if they are produced under standard labor conditions.

Roland opposed application of the act to its employees because, it argued, it is not itself in the production of goods for interstate commerce, but is merely a service company whose principal business is installation of industrial wiring and electric motors. The Wage & Hour Division contended that since the company's services were essential to production for interstate commerce, its employees should be given the same status under the law as actual production workers.

• **Purpose Defined**—The court took the position that to fail to give them coverage would be to weaken the governmental mechanism for sustaining a minimum standard of living necessary for the health, efficiency, and general well-being of workers referred to as the purpose of the act.

The high court did not rule on the other cases, *Boutell vs. W. Metcalf Walling*, as administrator of the act, and the *Martino Window Washing Co. vs. Walling*. The same general issue of coverage was raised in each, but a firm distinction was made on interpretation of "service" establishments and jobs on what constitutes production of goods for interstate commerce.

• **Issue Clarified**—The division has been making sharp distinctions in the coverage given to those who are employed in production for commerce, and those employed by firms merely "engaged in commerce." Its current interpretation of the enabling act is that all employees in any way connected with production

commerce must be included in the coverage of the Fair Labor Standards Act, only those employees actually handling matters of interstate commerce for "engaged in commerce" are entitled to coverage.

Two recent bank employee decisions clarified this position. In one, brought by the Bank of Waynesboro, the courts supported the division's contention that bank messengers who regularly handle interstate banking papers and their pouches must be considered as covered under the act.

In another case, *Lowe*, in which a bank guard asked \$2,540.16 in accumulated overtime and damages against the Provident Trust Co., Philadelphia, the federal court decided that the guard's duties were not essential to the bank's business in interstate commerce and, therefore, there was no ground for a claim of coverage.

State Labor Bill

Virginia considers a proposal to forbid governmental bargaining with unions. C.I.O. groups prepare to fight.

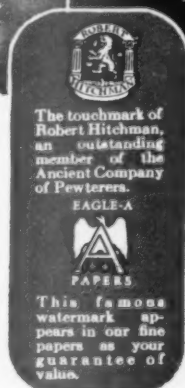
First state legislative attack of 1946 against labor unions, launched by Virginia's Gov. William M. Tuck in his message to the General Assembly, mustered quick support in state halls in Richmond for a proposal to block unionization of state, county, and municipal workers. But, even more, it gave organized labor, and particularly C.I.O.'s Political Action Committee, occasion for a new and bitter campaign against the Tuck administration and one of its foremost political advocates, Sen. Harry Byrd.

Legislation Asked—Gov. Tuck urged in his message that the legislature act readily to declare unionization of employees of the state or any political subdivision as "contrary to and in violation of its [the state's] public policy." He also asked the legislature to declare that "it is beyond the power or authority of any public officer to recognize or negotiate with any union or its representatives with respect to any matter relating to government employees."

With an eye on the National Labor Relations Act, the governor made clear that the right of government employees to join unions of their choice should not be abridged; the only barrier should be against any bargaining or contractual relationship between the state and unions.

Blacklist—The governor's suggestion was incorporated immediately into a bill

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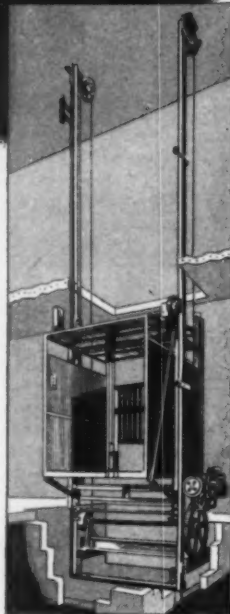
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—now awaiting action—which went one step farther, to propose that any employee who engages in a strike or work stoppage that hinders, delays, or interferes with any governmental function "shall not thereafter be employed or re-employed" by the state or by any political subdivision.

Behind the governor's proposal was an attempt by C.I.O.'s State, County & Municipal Workers of America to organize and negotiate a contract for what it claims is a membership of 1,000 employees of the City of Richmond. The city government refused to bargain with the union, whose members recently adopted a resolution authorizing "our officers and strategy committee to call a strike whenever it deems necessary."

Just a few days before Gov. Tuck's message was delivered, Sen. Byrd made Virginia labor bristle with an announcement in Richmond of a plan to introduce in the United States Senate legislation to require labor to assume "the responsibility that accompanies power."

WOLCHOK VS. BRIDGES

Harry Bridges, president of the International Longshoremen's & Warehousemen's Union (C.I.O.), who recently got no response from a proposal that all C.I.O. maritime and dock unions unite into one union with I.L.W.U., this week

received a more direct—but probably meaningless—rebuff. C.I.O.'s jurisdictional committee (BW-Apr. 14'45) ruled that the Bridges union must withdraw from organizational work in Montgomery Ward and other mail-order houses and surrender any charters and membership applications which it has in that field.

Outcome of a feud reaching back to the early days of C.I.O., the decision gives exclusive jurisdiction in mail-order houses to the United Retail, Wholesale & Department Store Employees of America, headed by Samuel Wolchok. The victory, however, probably will be a hollow one for Wolchok. His union has had little success in organizing the 600,000 mail-order employees. It recently felt the first effects of A.F. raids which may gather new impetus (BW-Jan. 5'46, p93). Besides, there is little expectation that the jurisdictional committee's order will have any weight on Bridges' plans.

I.L.W.U. already has won National Labor Relations Board certifications in mail-order houses in St. Paul, Baltimore and Ft. Worth, and Bridges recently announced that his union will defend its right to local unions in those cities by citing the National Labor Relations (Wagner) Act guarantee of the right of employees to have collective bargaining representatives of their own choosing.



AT LEAST THE FISH ARE CONTENTED

Boston's famous Fish Pier is a study in inactivity as the dispute between the city's fishing boat owners and A.F.L. fishermen (BW-Jan. 26'46, p97) enters its sixth week. Termed a lockout by the union and a strike by the owners, the trouble is confined to the Boston area, with no indication that it will spread to Gloucester and Bedford, where many Boston fishermen have migrated. Although the tie-ups affect fresh fish supplies, frozen fish products—which set a record of 148,000,000 lb. last December—are expected to last until spring.

THE INTERNATIONAL OUTLOOK

BUSINESS WEEK

JANUARY 2, 1946



Requests for big credits from more key commercial powers will soon capture the headlines.

Paris will ask for \$2,500,000,000 if current trial-balloon rumors indicate the U. S. is ready to advance that amount in order to encourage political and financial stability in France.

Actually, not more than half that total is likely to be needed, particularly if the Bretton Woods plan becomes operative within a reasonable time.

Leon Blum, on his pending visit to Washington, will feel the financial pulse of the capital and then recommend to Paris how big a loan should be sought, and when to time the request.

The advance guard of a Belgian trade mission has already arrived in this country with order lists running to \$250 million.

The shrewd Belgians point out that no such volume of purchases will be possible unless (1) the U. S. ups its imports of Belgian goods and increases its use of Belgian ports as assembly and distribution centers, or (2) Washington provides cheap short-term credits to handle emergency requirements.

Don't look for either loan to be formalized soon unless Congress speeds up approval of the \$4,400,000,000 credit for Britain.

Some Senate leaders were this week pessimistically predicting that the credit for London is going to run into such vigorous opposition that it may not be cleared before summer.

In view of this already expressed antipathy, France, with a left-wing government and the Ministry of War in the hands of a Communist representative, can hardly expect congressional enthusiasm for a huge credit.

By no means will all demands for loans develop in Europe.

China wants \$2 billion, but hard-hitting Gen. George C. Marshall has made it clear to both the Kuomintang and the Communists that neither credits nor technical aid will be available until differences are settled.

Actually, reports from Chungking are encouraging. Both sides are showing an unexpected willingness to compromise.

But, tactical maneuvering on all sides—including the American—is likely to prolong the conference well into the spring.

An agreement between the U. S. and U. S. S. R. that would integrate the economy of Korea—at least to the extent of facilitating commerce between its two zones of occupation—can be expected in the next few weeks.

Current conferences of the chiefs of the U. S. and Soviet military commissions in Seoul are progressing with unexpected smoothness and without any evidence of the friction indicated in the recent worldwide Tass report.

The Russians are showing a serious interest in making decisions and doing business, but have made it clear that they want, at least temporarily, only a strictly defined interchange between the two areas.

Basis for reported U. S.-Soviet misunderstanding over Korea is now explained by Washington.

When Secretary James F. Byrnes returned from Moscow, he reported

THE INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK

FEBRUARY 2, 1946

publicly that possibly there would be no need for a trusteeship period for Korea, although a trusteeship plan had just been agreed upon at the conference in Moscow.

What Byrnes had in mind was that, if the Koreans could set up a going government which could prove its stability, the trusteeship period could be skipped if the Russians agreed.

The increasing degree of direct cooperation between Russian and U. S. military administrators in the Far East is watched with misgivings by the British.

As long as a year ago, Washington was blunt in its refusal to help liberate the European colonies in southeastern Asia by direct participation in the campaigns.

Recently, direct Russo-American contact in China and Korea has been much smoother than daily press dispatches sometimes have indicated.

As a result, London is beginning to expect that Moscow and Washington may stand together—in opposition to the colonial powers—in many economic and political battles of the United Nations Organization over restrictive long-term Asiatic policies.

You can expect fairly complete reports on the status of Japanese industries before Apr. 1.

Reports of the Strategic Bombing Survey now being made by U. S. experts will profit from the experience gained in Germany and from the ability to do a coordinated job under a single control authority.

As anticipated (BW—Nov. 3 '45, p113), a survey of every key industry will be made, and specific details of undamaged production potential reported.

In the rapidly intensifying scramble for world markets, don't overlook several especially significant developments.

At the request of Sir Stafford Cripps, president of the Board of Trade, British shipbuilders, early in February, are sending a trade mission representative of the entire industry on a tour of South America.

Argentina, Brazil, Chile, Peru, and Uruguay—all with known plans to expand ocean-going or river fleets—are prominent on its itinerary.

In Europe, the center of oil production appears to be shifting.

Rumania's production—once above 6,000,000 tons a year—is now barely above 3,500,000, and is not expected again to top 4,000,000.

Austrian output, on the other hand, has been boosted from barely 600,000 tons to almost twice that total.

And Hungarian output in the field now contested with Russia is approaching 1,000,000 tons, with oil experts predicting important expansion in the next few years.

Britain is making a spectacular new bid for the small car market.

According to a flash from Business Week's London representative, Bristol Aeroplane Co. has been licensed to produce the Nazis' vaunted Volkswagen—the \$400 People's Car which Hitler claimed he would make available to every German (BW—Mar. 13 '37, p31).

BUSINESS ABROAD

Trade Pattern for Eastern Europe

Soviet agreements with neighboring nations, details of which have just been announced, point to brisk exploitation of markets, sharp price competition with other nations.

The Soviet Union has made initial deliveries of trucks and tractors to Hungary at prices which meet any competition likely to be offered by U. S. manufacturers.

Having set its sight on cotton production of 18 million bales—hoping to take first place from the U. S., where annual production averages only 12 million bales—Moscow is already selling cotton in the Balkans at prices substantially below the U. S. domestic price.

And, in an apparent move to fill the vacuum left by the loss of German industrial capacity, the Russians have contracted to supply ball bearings, electrical cables, chemicals, semimanufactured iron and steel, and farm implements to the Balkans.

Pattern Shaping—This exploitation of a natural, nearby market is revealed as details of Moscow's recently signed clearing agreements with eastern European states become available.

The trade arranged in these agreements is not picayune, and it is wholly apart from the one-way movement of Balkan goods to Russia in fulfillment of armistice terms, so it provides the first concrete picture of the heralded orientation of eastern Europe's trade toward the U. S. S. R. (BW—Jun. 9 '45, p117).

It remains to be seen whether this is of a tentative, emergency nature, and whether the clearing agreements can be completely fulfilled by the devastated economies which are parties to the pacts. The fact that the Soviet Union is obviously making a desperate effort to obtain many vital imports from its neighbors is not, however, being overlooked by alert traders. Many of them are beginning to realize that this new development may have an important potential effect on long-term world trade patterns.

Well Above Average—Evidence of developing trends is available in at least two new pacts. Hungary, for instance, is pledged in its current trade deal with Moscow to supply agricultural products and petroleum. Rumania will ship to the Soviet Union petroleum, forest products, and some manufactures. Bulgaria has agreed to provide chiefly farm products. Finland will deliver forest products.

Poland will importantly provide coal. And Czechoslovakia will supply manufactures to a market so large, potentially, that it may provide a larger export basis than many Czechoslovak industries have ever before enjoyed.

Trade planned with these neighbors not only eclipses all previous records in Soviet commerce with the individual states, but in total—the rate is well above \$200 million a year—it is considerably greater than the average annual total of trade between the U. S. S. R. and all of Europe between 1934 and 1937, in which first Germany, and then Britain, played a predominant role.

• **On Dollar Basis**—Of special significance is the fact that all of this trade is

being conducted at current world prices calculated in current American dollars. This is perhaps inevitable since the lei and pengo, for instance, have no constant value from day to day, and the external value of the Soviet ruble is at best a conjecture.

Thus the Soviet-Hungarian agreement calls for an exchange of \$30 million in the year ending next Aug. 27; the Soviet-Rumanian agreement covers items valued at \$12 million for the year ending next May 8; the six-month Polish-Soviet exchange tops the list with \$60 million slated to change hands; the one-year Finnish-Soviet agreement covers trade of \$8 million in each direction; the Czech-Soviet six-month pact runs to \$20 million; and the Bulgarian-Soviet agreement will probably exceed an annual rate of \$10 million.

• **Meticulous Detail**—Full information on only two of these agreements is as yet available in this country—and with the enumeration and evaluation of items meticulously detailed, they run to dozens of closely spaced pages. And, curiously, they follow rather closely the pre-war clearing agreements—never wholly fulfilled—signed by the U. S. S. R. and Poland on Feb. 19, 1939 (amounting to \$23 million); by Hungary and the



FLESH AND BLOOD FOR BRETTON WOODS

Latest step in converting the Bretton Woods agreement into a going concern is the appointment of key U. S. members of the world bank and fund boards. Economist Emilio G. Collado (right), deputy to Assistant Secretary of State Clayton, will be—subject to senatorial approval—Executive Director for the U. S. on the new International Bank board. Harry D. White (left), Assistant Secretary of the Treasury and principal author of the Bretton Woods fund agreement, will hold the same job on the Monetary Fund. With the appointment also of Secretary of the Treasury Vinson as U. S. governor of bank and fund, the way is paved for the organizational meetings in March.

U.S.S.R. on Sept. 3, 1940 (\$3,700,000); and by the Soviet Union and Rumania on Feb. 26, 1941 (\$4 million).

In the new clearing agreement between the Soviets and Hungary, the principal items to be supplied by Moscow, and their contract prices, are:

	Quantity (Metric Tons)	Value in U. S. Dollars Per Ton or Unit
Coke	100,000	\$10
Iron ore	100,000	10
Refined copper....	2,000	427
Cotton	30,000	420
Raw rubber	500	1,002
Lube oil	3,000	30-100
(Units)		
ZIS 3-ton trucks....	700	2,900
52-hp. tractors	500	4,130

In addition to these items, running to about \$20 million, the Soviets will export fertilizers, ball bearings, standard-gage railroad ties, and hundreds of miscellaneous items in small quantity.

• **Emphasis on Fuel**—Hungary, on its part, agrees to supply Russia with the following items which have been given specific values in U. S. dollars:

	Metric Tons	Value per Ton
Gasoline	30,000	\$19.90
Kerosene	20,000	14.10
Gas-oil	20,000	12.90
Fuel oil	40,000	6.60
Cement	30,000	7.10

In addition, Hungary will also export 55 million square meters of cotton cloth at prices ranging from 16¢ to 50¢ a meter; some 10,000 hectoliters of raw brandy; 1,000 metric tons of dried fruits; 16,000 tons of oil cake; 1,000 tons of tomato pulp; and instruments—optical, telephone and telegraph, and locomotive-type—and electrical appliances.

The agreement between Rumania and the Soviet Union is of similar character and includes the following principal items (in metric tons):

Soviet Exports	
Semifabricated steel	25,000
Cast iron	6,000
Refined copper	1,000
Coke	50,000
Hard coal	70,000
Technical materials*	3,000
Cotton	20,000
Chemicals	200

* Graphite electrodes, electrical cables, ball bearings, etc.

Soviet Imports	
Gasoline	120,000
Kerosene	10,000
Gas-oil	45,000
Lubricating oil	24,000
Fuel oil	50,000
Spindle oil	15,000
Cement	50,000
Tar paper	10,000
Cotton textiles	20,000

• **Integrated Arrangement**—In addition, Rumanian forest products are a sizable

item in the trade, amounting to more than 200,000 cubic meters of resinous timber, beech timber, beams, railroad ties, plywood, and boxwood. To help rebuild the Soviet Union, Rumania is shipping 1,000,000 square meters of window glass.

In the Bulgarian-Soviet agreement, signed last March, Bulgaria agreed to ship 25,000 metric tons of tobacco, and large quantities of wine, alcohol, and other farm products in return for Soviet shipments of cotton, wool, rubber, iron, fuel (oil products), and agricultural equipment.

It is probable that this series of agreements is not just a group of bilateral pacts but that it actually consists of an integrated trade arrangement that is being worked out for eastern Europe and the U.S.S.R.

• **Essential to Survival**—These agreements are also separate from the five-year economic collaboration pacts offered by Moscow but not yet officially accepted by the Balkan states. With the trade pacts, Washington officials have no quarrel; with the economic collaboration agreements—seeming to entail infringement of other foreign rights (BW—Nov. 10 '45, p111)—there is open, official opposition.

In the immediate postwar milieu, trade of any kind is essential to the survival of Europe. The United States only hopes that state trading and barter agreements can be limited to these emergency circumstances, with the door kept open for a broadening and freeing of trade through acceptance of the principles to be adopted by the leading trading nations at the forthcoming conference on international trade and employment.

Czech Restitution

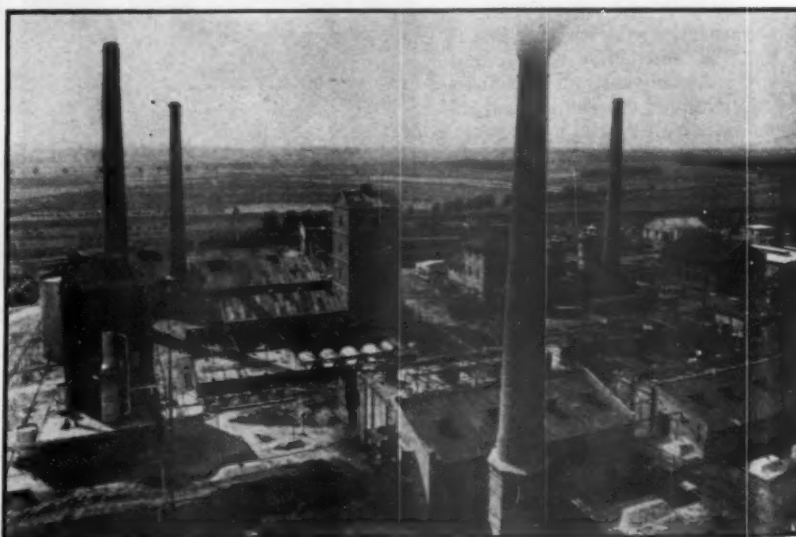
The Benes government hopes for a quick settlement with U. S. firms affected by its nationalization decrees.

PRAGUE—In a move to compensate foreign concerns whose property in Czechoslovakia was taken over by the government under the sweeping nationalization decrees of last October, the Ministry of Industry will open restitution discussions with American corporations in Prague this month.

• **U. S. Stake \$30 Million**—American interests involved—which have approximately \$30 million invested in plants, equipment, and sales agencies in Czechoslovakia—include the Socony-Vacuum Oil Co., International Telephone & Telegraph Corp., Singer Sewing Machine Co., Eastman Kodak Co., International Business Machines Corp., United Shoe Machinery Corp., Yale & Towne Mfg. Co., and Remington Rand, Inc.

According to Bohumil Lauschan, Minister of Industry, the Czech government plans to compensate foreign capital as "favorably as possible." The Benes cabinet is debating whether to make restitution in foreign or domestic currency. Meanwhile, initial compensation discussions are due to begin with the completion of technical nationalization on Feb. 15.

• **Ask Dollar Exchange**—Biggest stakeholders in Czechoslovakia are the Socony-Vacuum Oil Co. and International Telephone & Telegraph Corp.—



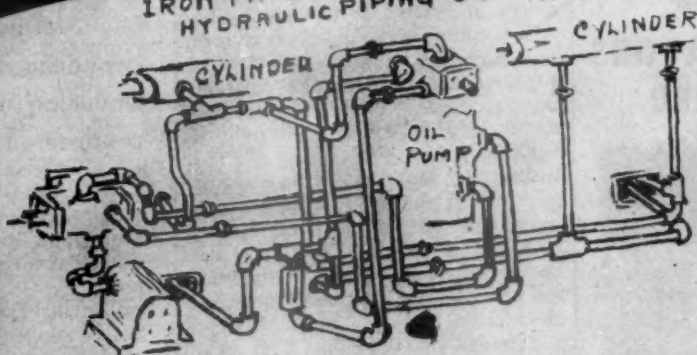
Large part of Socony-Vacuum's \$11,000,000 stake in Czechoslovakia is the Vacuum Oil Co. refinery at Kolin—held by the Benes government.

PROOF

from a Parker engineer's notebook

OLD METHOD

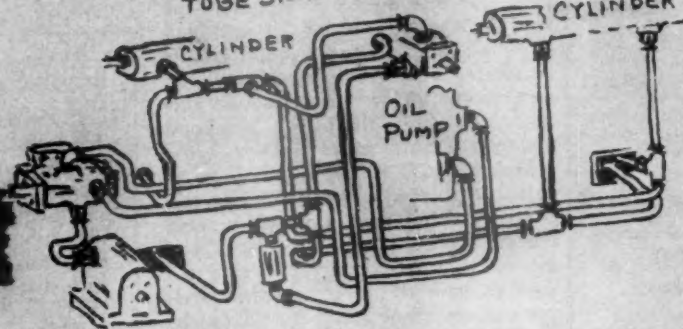
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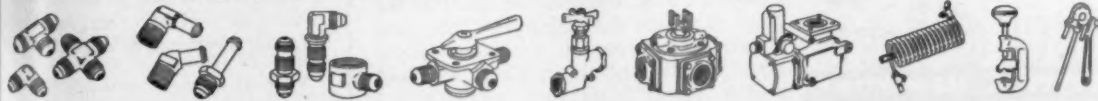
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the former with about \$11 million invested in Czech plants, the latter \$7 million. Both concerns reportedly are seeking restitution in dollar exchange.

Socony, which operated in Czechoslovakia under the name of the Vacuum Oil Co., maintained general offices in Prague, a refinery at Kolin, and a countrywide distribution organization.

• **Exemption Doubtful**—The nationalization decrees brought under state direction roughly all production industries with more than 500 workers and fewer than 1,500. Immediately following issuance of the decrees, Socony filed a request with the Ministry of Industry, asking exemption. No action, to date, has been taken by the government on the demand, and acceptance is regarded as unlikely.

International Telephone & Telegraph Co. owned whole, or controlling, interest in six plants in Czechoslovakia—the largest being Telegrafia in Pardubice. I.T.&T. reportedly is not insisting upon ownership of the plants, but is endeavoring to work out fair restitution under a system that would allow the company to continue to market its technological skill. R. Hunt Brown, I.T.&T. assistant vice-president, now in Prague, is said to be seeking a ten-year contract with the government for the reconstruction and modernization of the Czech telephone and telegraph system.

• **Seek Early U. S. Accord**—Once compensation discussions get under way, the Ministry of Industry is expected to push them to a speedy conclusion. The Czechs are particularly anxious, for obvious reasons, to have all problems with American concerns ironed out before dispatching a delegation to Washington to begin negotiations for a trade agreement between the U. S. and Czechoslovakia.

Whether restitution talks with other foreign nations will be carried out as speedily remains to be seen. The Benes government, which takes the position that it was forced to nationalize industry to bring the country out of the economic chaos brought about by Nazi occupation, is not in a position to pay off everybody immediately—especially in foreign currency.

• **Bata Case Watched**—In addition to foreign investors, the government has announced that it plans to make restitution to private Czech owners whose plants were taken over by the government. These negotiations are expected to drag out for some time, as many ownership problems were brought about by Nazi occupation. Key interest is centered on what steps will be taken to repay the Bata shoe family for the government seizure of that company's \$500 million plants in Czechoslovakia (BW—Jan. 26 '46, p. 22).

CANADA

U. S. Strike Felt

Alarmed at the prospect of dwindling U. S. shipments, the Dominion urges domestic steel producers to increase output.

OTTAWA—More than any other event of recent years, the steel strike in the United States has brought home to Canada its dependence upon U. S. supplies.

Clarence Decatur Howe, Reconstruction & Supply Minister, moving to take what corrective action may be possible, predicted that a month-long stoppage in the U. S. would "virtually paralyze the Canadian economy and cause unemployment affecting hundreds of thousands of workers."

• **Government Measures**—Howe has established wartime steel controls, which

British-S.A. Air Rates

LONDON—While British and American negotiators at Hamilton, Bermuda, were seeking agreement on techniques of rate-setting and frequency-of-flight schedules, British-South American Airways, Ltd., was preparing to announce its first postwar rates between the United Kingdom, South America, and intermediate points. The rates will presumably be subject to confirmation in rate-talks in New York this month. The rates, from the U.K., are:

	Passenger Fares	Freight Rates
	\$* One-Way	\$/c* Pound
Lisbon	\$141.23	29c
Bathurst	328.85	62½c
Natal	454.95	88c
Rio de Janeiro ..	581.04	\$1.15
Montevideo	692.00	1.33½
Buenos Aires ...	706.13	1.37

* Converted from the official rates at £ = \$4.0350

Note: All freight rates are subject to an additional standing charge of 4s (81¢) per parcel, irrespective of weight; bullion, gold coins, and other precious metals are shipped at double the normal freight rate, as are precious stones as well as other valuables that are appraised at over £20 per kilo.

been lifted after V-J Day; appointed Martin Hooley of Montreal as new steel controller; and called on Canadian iron and steel plants to increase their production.

No amount of added production by present facilities will fill the gap for special steels not made in Canada, but may revive old arguments for protecting Canadian steel producers so that they can produce a wider range of items and make the country less dependent on outside suppliers.

Many Industries Hit—Effects of the S. strike ran widely through the Canadian economy. The construction industry, which gets 40% of its structural steel from the U. S., will be slowed by shortage of larger-than-15-in. beams, and shortage of nails is expected to stop house-building.

In the auto industry, General Motors' plant at Oshawa is already closed by shortage of parts made in Detroit. Other plants to builders may be closed, including the Ford plant in Windsor, just getting started after a three-month strike. Canadian auto plants get their body-stampings and other steel components from Detroit. Their reserve stocks have fallen very low.

Food Exports Threatened—Manufacturers of household appliances, with empty sheet reserves, also face a holdup. The farm machinery industry anticipates difficulties. Much of the black-plate used in making cans and other food containers is imported, and the shortage is expected to affect Canada's ability to deliver food to Europe on schedule.

Effect of the strike on the availability of repair and maintenance parts constitutes perhaps the most general threat to Canadian industry. There is hardly a plant in Canada which does not depend on the U. S. for part or all of its equipment. Railways, communications industries, and manufacturing plants using over-age and over-worked equipment face difficulties if they experience even minor breakdowns in their equipment.

None for U. S.—Even before the steel controls were reinstated, the United Steelworkers of America (C.I.O.) announced they would fight export of steel to the United States. There seems little likelihood that any steel will be exported.

After consultation with Howe on expansion of output, the Algoma Steel Corp., Sault Ste. Marie, Ont., promised to increase pig iron production by 10,000 tons monthly, and steel by the same amount. The Dominion Steel & Coal Co. of Sydney, N. S., has undertaken to deliver 4,000 tons of billets to Montreal for conversion into bars and other shapes.

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THE MARKETS

(FINANCE SECTION—PAGE 7)

Security Price Averages

	This Week	Week Ago	Month Ago	Year Ago
Stocks				
Industrial	178.6	170.6	167.2	131.7
Railroad	68.9	66.7	63.7	47.6
Utility	93.3	89.4	82.8	58.2
Bonds				
Industrial	124.2	124.2	123.3	121.4
Railroad	119.2	118.9	118.3	113.1
Utility	116.8	116.6	115.8	116.8

Data: Standard & Poor's Corp.

Birth of a Spiral?

Labor news, particularly word of the settlement of the Chrysler and Ford wage impasse, has been construed by many stock market participants as a tip-off that the industrial strife now plaguing so many basic industries is actually headed for solution.

Rightly or wrongly, it further convinced many of the imminence of a really sharp spiraling up of prices that would greatly reduce the dollar's purchasing power.

• **A Deluge of Orders**—As a result, at-the-market buying orders started flooding brokerage offices long before New York Stock Exchange trading proceedings started this week. Exchange officials even experienced much difficulty in arranging opening prices for many issues because of the demand that had accumulated for them.

Especially noticeable, to the dismay of the more conservative Wall Streeters,

was an acceleration in the previous risome trend toward the really low priced shares, simply because of the speculative attraction on a "percentage profit" basis.

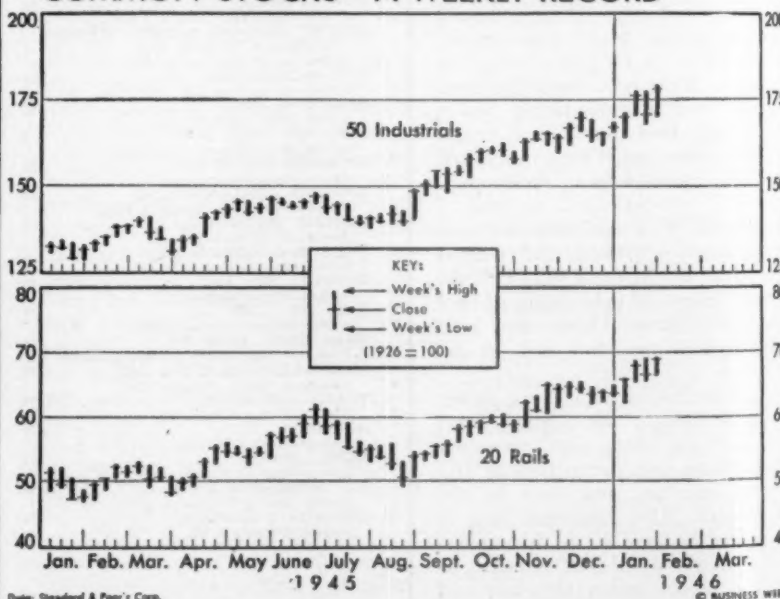
The better grade and blue chips were by no means neglected. U. S. Steel, for example, due to the abundance of "market" buying orders, only appeared on the tape 30 minutes after Monday trading started and had to be opened \$4 above its Saturday close. Chrysler opened \$6.50 higher after almost an hour had elapsed.

• **New Highs Pile Up**—Before Monday trading had ceased, gains running up to as much as \$10 were widely scattered throughout the list. Many issues had skyrocketed to new nine to 15-year highs, and trading volume (1,000,000 shares in the first hour alone) had soared to almost 3,500,000 shares, new high water mark since May, 1940 (when prices were dropping sharply).

The inflation-conscious weren't busy in the stock market alone. The commodity markets that day also disclosed activity of the flight-from-the-dollar type. Traders forced cotton prices to new 22-year highs. May rye zoomed to the permissible 5¢ limit to a price not seen since 1920. Other grains showed strong upturns checked only by ceiling prices.

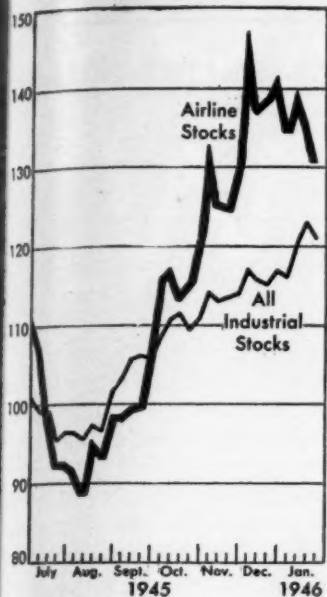
• **More Sedately**—Activity on Tuesday and Wednesday in the stock and commodity trading marts proceeded at a

COMMON STOCKS—A WEEKLY RECORD



Data: Standard & Poor's Corp.

THE AIRLINES DIP



pared with its 1944 close of \$40.625. Transcontinental & Western Air sold for \$79 as against \$28.50.

Gains up to that time by other airline "biggies" were almost as hefty. Pan American Airways shares had moved up to \$29, 56% higher than at the 1944 year end. United Air Lines common was \$62.50, 80% above the previous year's close, and American Airlines, at \$94.50, was 112% higher.

• **Justified?**—Did 1945 earnings and dividends justify this tremendous advance? Not by a long shot. At its 1945 peak, American Airlines was selling for some 27 times the \$3.50 per share it is estimated to have earned last year, and it paid only a \$1 dividend. Eastern was selling at some 35 times its estimated \$3.85 earnings and in 1945 paid only \$1. TWA, which has paid no dividends since 1936, was selling at about 32 times its estimated 1945 net.

However, remember that the stock market rarely reflects current or past earnings entirely (BW—Nov. 17'45, p65). Usually, it's engaged in "discounting" the earnings and dividends ahead. Thus, in bidding up such issues last year, market participants were mainly reflecting their belief that the general optimism displayed up to then over the postwar outlook for the air transport trade was fully justified.

• **On the Bright Side**—The industry's expansion potentialities are tremendous. Also, it appears blessed with managements sufficiently young, capable, and aggressive to cope with its future problems.

For some time, however, the airlines will have to spend hundreds of millions of dollars for new equipment. Stockholders thus may see a big increase in their company's debt plus dilution in their present equity in the business due to sales of additional shares to meet new money needs.

Moreover, even though revenues will rise sharply, the expenses of inaugurating service with new facilities will be heavy.

• **Revised Thinking**—The air transport operators will also experience rising labor and material costs, and more than one former bull on the airline shares has lately come to believe that many companies may have protracted difficulty in raising future earnings to levels commensurate with the highs their shares recently reached.

This abrupt change in opinion has led many holders of such issues to accept the big profits available to them, and to seek more stirring fiscal adventures in other fields. Many issues in recent weeks have thus dropped sharply below their 1945 highs. And their lower cost hasn't yet caused any great reawakening of interest in them.

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sedate pace. Much profit-taking has been evidenced. This has been well absorbed, however, and the industrial and rail stock price indexes at midweek are generally above or just under their Monday close.

This week's predicted test of the responsiveness of the corporate bond market to its first 20-year 2 1/2% obligation (page 74) had to be postponed at the last minute. Earnings of Philip Morris Co., the proposed issuer, declined sharply recently, and this will necessitate amendments to the prospectus that would have to accompany its offering of such bonds.

rising Altitude

Few issues performed more spectacularly last year than the airline group. Only the liquor (BW—Dec. 1'45, p47), printing and publishing, and utility holding company (BW—Nov. 24'45, p2) indexes among Standard & Poor's weekly price averages could boast greater 1945 appreciation than the 56% gain registered by the air carriers. Particularly newsworthy was the air advance in the months following V-J Day. By early December, S & P's stock index of that group had actually soared some 56% above the levels reached at the time Japan finally decided to call it quits.

• **Almost Fantastic**—By early December, so many individual airline issues were closing some almost fantastic gains. Eastern Air Lines stock, for example, soared by then up to \$134, com-

THE TREND

WHAT DO YOU MEAN "FREE PRIVATE ENTERPRISE"?

We have been conducting a little field investigation of what the term "free private enterprise" means to the common man, whose century some say this is. The immediate inspiration of this undertaking was our inability to avoid overhearing a noisy report by a kibitzer of a conversation which took place on the 8:18 a.m. train from Manhasset, L. I., to New York City.

"They were a couple of typical suburban dopes," he explained to his companion, with the overflow pounding in on us. "You know, the kind that's always discussing serious economic problems. One says, 'You can't have a guaranteed annual wage and still have free private enterprise,' and the other comes back, 'You can't have free private enterprise unless you have a guaranteed annual wage.' And then they got to arguing about what free private enterprise is and they still were milling around when we hit Penn Station. It was a laugh."

• If the earnest students of economic problems whose conversation reached our ears were having so much trouble determining what they were talking about when they talked about free enterprise it occurred to us that it would be an enlightening and perhaps useful exercise to find out something of what the term means to a cross-section of the wage-earning element of the population which may, in the last analysis, have a decisive role in determining the future of free private enterprise. We found our cross-section in New York City, Pittsburgh, Washington, D. C., and Pittsfield, Mass., among industrial, transport, and hotel workers.

To about half of those questioned the term free private enterprise means nothing at all. A New York City subway guard summed up the situation of this segment of the sample when he said, "It's just a lot of woids."

Of those to whom the term means something, about one-third were found to give it highly original and individualized meanings having little or nothing to do with the orthodox conception of free private enterprise; another third had some glimmer of what it is; and a final third had a fairly clear notion of it.

• What some of those interviewed think private enterprise is we shall never know because their conceptions were so original that we could not relate them to anything we had ever heard. For example, a Pittsburgh steelworker whom we interrogated at the plant where he works replied, "I don't listen to that kind of talk. I'm pretty well satisfied here." Except that it is something that one who is pretty well satisfied should not fool with, we shall never know what that steelworker thinks free private enterprise is.

Another industrial worker in a large plant reflected

what we found a fairly standard misconception of free private enterprise when, giving his concept of it, he said, "Now take me. I've got a side line, glass cutting. That's my private enterprise. I don't get the free part."

• The most provocative answer, and one that we leave you to classify precisely as to accuracy, came from a Washington (D. C.) waiter—we found waiters singularly reflective about economic matters—who, when asked to define free private enterprise, promptly replied, "That's something, we ain't got it. It means everybody gets a crack at it. They don't and they never did. Monopoly always gets ahead."

When one of his associates said "That's just another name for capitalism," he provided the sort of reply which we counted correct and put him among the sixth of those interrogated whom we rated as having a moderately clear idea of free private enterprise. To the overwhelming balance of five-sixths of those we questioned free private enterprise means either nothing or something strange and wonderful.

On the cheerful assumption that our inquiry had aroused among some of those whom we questioned a curiosity about the nature of free private enterprise, we took the route to the public library which we assumed they might follow in trying to find out. There, as almost invariably, we found an eagerly helpful reference librarian who explained that we could become enlightened about free private enterprise by reading, of all things, about *laissez faire*! At that point we were almost ready to believe that there was more to that steelworker's suspicions than we had imagined.

• The moral of our little field study is not, of course, that there is anything the matter either with the term free private enterprise, as it has been developed for use by social scientists, or with the scheme of economic organization to which it applies. Quite on the contrary it is our conviction that a system of free private enterprise—essentially one in which the chance to make a profit (or a loss) provides the principal spark plug and fair competition the principal social regulator—would serve the common welfare better than any other that is likely to be devised.

The moral, as we see it, is simply that the wage-earning population—and the population generally for that matter—should be given a far better opportunity than it has had thus far to know what those who use it mean by the term free private enterprise. Otherwise a large share of the great amount of energy and substance now being devoted to emphasizing the merits of free private enterprise will continue to be largely wasted.

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